

PROSPECTUS

XELO II PUBLIC LIMITED COMPANY
(incorporated with limited liability in the Republic of Ireland)

Series 2006 (Piccadilly 2)
EUR 14,043,000 Secured Limited Recourse Credit-Linked Notes due 2016

This document (the **Prospectus**) has been prepared for the purpose of giving information about the issue by XELO II Public Limited Company of the Series 2006 (Piccadilly 2) EUR 14,043,000 Secured Limited Recourse Credit-Linked Notes due 2016 (the **Notes**).

This document is issued in conjunction with, and incorporates by reference the contents of, the Base Prospectus dated 1 August 2006 (the **Base Prospectus**) in relation to the U.S.\$5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the **Programme**) of XELO II Public Limited Company (the **Issuer**). This Prospectus will, subject to being approved by the Irish Financial Services Regulatory Authority (the **IFSRA**) in its capacity as the competent authority in Ireland in accordance with the requirements of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the **Irish Prospectus Regulations**) and Directive 2003/71/EC (the **Prospectus Directive**) constitute a Prospectus issued in compliance with the Prospectus Directive and relevant laws in Ireland. Unless the context otherwise requires, terms defined in the Base Prospectus or for the purposes of the Terms and Conditions of the Notes have the same meanings when used in this Prospectus.

The date of this Prospectus is 25 October 2006

Arranger

BARCLAYS BANK PLC

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus (except (i) in relation to the information under the heading "Information concerning Barclays Bank PLC" (the **Barclays Information**), for which Barclays Bank PLC takes sole responsibility, (ii) the information relating to the Principal Paying Agent and the Custodian contained under the heading "Information concerning JPMorgan Chase Bank, N.A." (the **Principal Paying Agent and Custodian Information**), for which JPMorgan Chase Bank, N.A. takes sole responsibility, (iii) the information relating to the Trustee contained under the heading "Information concerning BNY Corporate Trustee Services Limited" (the **Trustee Information**), for which BNY Corporate Trustee Services Limited takes sole responsibility, (iv) the information relating to New Bond Street Asset Management LLP (the **Portfolio Manager**) under the heading "Information concerning the Portfolio Manager" (the **Portfolio Manager Information**) for which the Portfolio Manager takes sole responsibility and (v) as otherwise provided herein). To the best of the knowledge and belief of the Issuer and (i) in the case of the Barclays Information, Barclays Bank PLC, (ii) in the case of the Principal Paying Agent and Custodian Information, JPMorgan Chase Bank, N.A., (iii) in the case of the Trustee Information, BNY Corporate Trustee Services Limited and (iv) in the case of the Portfolio Manager Information, the Portfolio Manager (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. The delivery of this Prospectus at any time does not imply any information contained herein is correct at any time subsequent to the date hereof.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Arranger to subscribe for, or purchase, any Notes.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Trustee and the Arranger to inform themselves about and to observe any such restriction.

This Prospectus contains summaries of certain provisions of, or extracts from, the Constituting Instrument executed in relation to the Notes, the Portfolio Management Agreement (as defined herein) and the documents and agreements referred therein. Such summaries and extracts are subject to, and are qualified in their entirety by, the actual provisions of such documents and agreements, copies of which (other than the Portfolio Management Agreement) are annexed hereto or are available for inspection at the registered office of the Issuer, the principal office of the Trustee, the specified office of the Principal Paying Agent and the specified office of the Irish Paying Agent for a period of 14 days from the date of this Prospectus. Holders of the Notes to which this Prospectus relates, and any other person into whose possession this Prospectus comes, will be deemed to have notice of all provisions of the documents executed in relation to the Notes which may be relevant to a decision to acquire, hold or dispose of such Notes.

Application has been made to the IFSRA, as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has also been made to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List and trading on its regulated market. However, the Notes will not be so listed or admitted to trading on the Issue Date and no assurance is given that such listing or admission to trading will be obtained thereafter.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS, AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **1940 ACT**). THE NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT).

Each purchaser or holder of Notes will be deemed to represent that it is not, and for so long as it holds any Notes will not be, an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), a plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, a person or entity whose assets include the assets of any such employee benefit plan or plan by reason of United States Department of Labor Regulation 29 C.F.R. Section 2510.3-101 (as modified by ERISA) , and such purchaser or holder is not using the assets of any such plan to acquire the Notes

DOCUMENTS INCORPORATED BY REFERENCE

The Base Prospectus, previously approved by the IFSRA and filed with the Irish Stock Exchange is incorporated in, and shall be taken to form part of, this Prospectus. This document must be read and construed in conjunction with the Base Prospectus and shall be deemed to modify and supersede the contents of the Base Prospectus to the extent that a statement contained herein is inconsistent with its contents.

CONTENTS

Risk Factors	5
Conditions of the Notes	13
Use of Proceeds	22
Description of Portfolio Management Agreement	23
Replacements in Respect of the Reference Portfolio	28
Tax Considerations	43
Subscription and Sale	44
Information concerning Barclays Bank PLC	46
Information concerning JPMorgan Chase Bank, N.A.	47
Information Concerning-BNY Corporate Trustee Services Limited.....	48
Information concerning the Portfolio Manager	49
Information concerning the Portfolio Manager	49
General Information	52

Annex

1. Form of Credit Default Swap Confirmation.....	53
2. Reference Portfolio Annex	71
3. Transaction Type Annex	81
4. Form of Paragraph 11 of the Credit Support Annex	85
5. Form of Schedule to ISDA Master Agreement and Amendments to the Master Charged Agreement Terms	95

RISK FACTORS

The following is a description of certain aspects of the issue of the Notes of which any prospective purchaser of Notes should be aware, but it is not intended to be exhaustive and any prospective purchasers of Notes should also read the detailed information set out elsewhere in this document and the other documents relating to the Notes and take their own tax, legal and other relevant advice as to the advisability, structure and viability of their investment. In particular, the attention of prospective purchasers of Notes is drawn to "Investor Suitability" and "Risk Factors" in the Base Prospectus.

General

Credit Considerations

Prospective purchasers of Notes should take into account, when making a decision as to whether or not to invest in the Notes, that the timing of redemption of the Notes, the amount due to be paid upon redemption of the Notes and the timing and the amount of any interest and principal due on the Notes is dependent on the performance of the Charged Agreement.

Security

There can be no assurance that the amount payable on any early redemption or enforcement of the security for the Notes will be equal to the Issue Price or the outstanding Principal Amount of the Notes. Any shortfall in payments due to the Noteholders will be borne in accordance with the Priority of Payments specified in Paragraph 4 of "Conditions of the Notes", and any claims of the Noteholders remaining after a mandatory redemption of the Notes or a realisation of the security and application of the proceeds as aforesaid shall be extinguished. Pursuant to the Priority of Payments, payments due to the Noteholders rank *pari passu* with amounts payable to the Portfolio Manager in respect of fees. None of the Programme Parties, the Portfolio Manager or the obligors under the Collateral (other than the Issuer) has any obligation to any Noteholder for payment of any amount owing by the Issuer in respect of the Notes.

Expenses

All payments of anticipated costs and expenses of the Issuer in connection with the issue of Notes have been, or will be, met by payments made to the Issuer under the Charged Agreement. Pending disbursement such payments received by the Issuer will be held in one or more of the Issuer Expense Accounts. Noteholders will have no entitlement or recourse to any amounts standing to the credit of the Issuer Expense Accounts and any claims of the Noteholders remaining after the application of the proceeds of the security for the Notes will not be met out of amounts standing to the credit of the Issuer Expense Accounts. To the extent that any unanticipated or extraordinary costs and expenses of the Issuer which are payable by the Issuer arise in connection with the Notes or otherwise, the Issuer may have no available funds to pay such costs and expenses and there is a risk that it might become insolvent as a result thereof.

Credit Ratings

Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Also, the rating assigned by a rating agency may not necessarily reflect the occurrence of subsequent events, so that an issuer's current financial condition at any given time may be better or worse than a rating indicates. Investors should be aware that the rating agencies' opinions regarding the credit quality of the Reference Entities or Reference Obligations (as defined in the Charged Agreement) reflect the credit quality of such Reference Entities or Reference Obligations as at the Issue Date but not subsequently. The Notes will not be rated by any rating agency.

Exposure to Barclays

Barclays Bank PLC as Swap Counterparty is required to post eligible credit support with the Issuer if the rating of the Swap Counterparty is downgraded below a specified level in certain circumstances set out in the Charged Agreement. Until such downgrade, investors are exposed to the credit risk of the Swap Counterparty on an unsecured basis.

Subject to such downgrade, if the Swap Counterparty is a defaulting party under the Charged Agreement, however, and has not posted additional eligible credit support on such downgrade or credit support posted on such downgrade has diminished in value due to market volatility, the proceeds thereof may be insufficient to repay the Adjusted Notional Amount of the Notes.

The Notes as Credit-Linked Notes

Synthetic Exposure

The reference portfolio in respect of the Notes (the **Reference Portfolio**) is a synthetic portfolio in relation to which the Portfolio Manager shall determine in respect of its constitution and consists, on the Issue Date, of 100 Reference Entities (as defined in the Charged Agreement). The Issuer does not own any of the Reference Obligations and the Swap Counterparty is not obligated to own any Reference Obligations or have any credit exposure to any Reference Entity. The Issuer and the Swap Counterparty need not suffer any loss in order for a Credit Event (as defined in the Charged Agreement) to exist.

Exposure to Reference Entities and Reference Obligations

The Notes do not represent a claim against any Reference Entity and, in the event of any loss, Noteholders will not have recourse under the Notes to any Reference Entity. However, Noteholders will be exposed to the credit risk of any Reference Entity and any Reference Obligation comprised in the Reference Portfolio from time to time. The likelihood of a Credit Event occurring in respect of a Reference Entity will generally fluctuate with, among other things, the financial condition of the Reference Entities, together with general economic conditions, the conditions of certain financial markets, political events, developments or trends in particular industries and changes in prevailing market rates.

The Notes are credit linked to a tranche of a reference portfolio of corporate and/or other credits. Pursuant to the terms of the Portfolio Management Agreement, the Portfolio Manager may from time to time recommend replacements of any of the Reference Entities in accordance with the procedures set out therein. Principal of the Notes and the amount on which interest is determined may be (i) reduced without repayment if losses in the Reference Portfolio exceed the Adjusted Subordination Amount and the Reserve Account Balance is insufficient to cover such losses and (ii) increased or reduced by trading gains or losses following replacements of Reference Entities in accordance with the Portfolio Management Agreement. Payment on the Notes is made solely from the Collateral, consisting of a funded portfolio credit default swap with, and eligible credit support provided on downgrade by Barclays Bank PLC as Swap Counterparty.

Limitation of Liability

The Portfolio Manager shall have no responsibility under the Portfolio Management Agreement other than to render the services called for thereunder in good faith, with reasonable skill, care, judgment and diligence in accordance with the provisions of the Portfolio Management Agreement and (subject thereto) in a manner consistent with practices and procedures followed by prudent institutional investment managers of international standing which are managing investments of a similar nature or character as the Reference Portfolio and with a level of skill and attention no less than that which the Portfolio Manager exercises with respect to similar investments which it manages for other customers and itself and for its Affiliates.

Notwithstanding any provision in the Portfolio Management Agreement to the contrary but without prejudice to the indemnity of the Issuer provided therein, the Issuer shall not have any liability to any persons

(including, without limitation, any holder of Notes or the Trustee) for any loss arising from any arrangement in relation to, or otherwise from the operation of, the Replacement Procedures, any Credit Event Notice delivered or not delivered by it or from the performance or non-performance by any of the Portfolio Manager, the Calculation Agent and the Swap Counterparty or any other person of its rights or obligations thereunder or under the Charged Agreement and (without prejudice to the generality of the foregoing and without prejudice to the obligation of the Issuer under the Portfolio Management Agreement to periodically review the activities and performance of the Portfolio Manager) the Issuer shall not be obliged to monitor whether any of such persons has complied with its obligations under the Portfolio Management Agreement or thereunder (including, without limitation, whether any Replacement complies with the Replacement Procedures and/or the Replacement Guidelines).

Risks relating to the Portfolio Manager

The Issuer is reliant on the employees of the Portfolio Manager to manage the Reference Portfolio. As a result, the performance of the Reference Portfolio is highly reliant on the expertise of the Portfolio Manager. The loss of one or more of the key individuals employed by the Portfolio Manager to manage the Reference Portfolio could have a significant adverse effect on the Reference Portfolio. The Portfolio Manager shall have no obligation to inform the Issuer or the Noteholders of the loss of one or more key individuals and the Portfolio Manager assumes no liability for any damaging consequences arising out of such losses. There can be no assurance at any point of time as to what the precise composition of the Reference Portfolio will be.

Volatility

Even without any actual loss of principal, the market value of the Notes (whether indicative or firm) will vary over time, and may be less than the Issue Price on the Issue Date and thereafter may be significantly less than par (or even zero) in certain circumstances. Generally, the market value is inversely related to the credit spreads of the Reference Entities. As underlying credit spreads widen, the market value of the Notes may decline.

Risk of Loss

Noteholders bear the risk of loss in relation to each of the Reference Entities beginning on the first Business Day immediately following the Trade Date. If a Credit Event occurs, the Principal Amount of the Notes may be reduced (in the manner described in the Notes) by the loss in respect of the Reference Obligation(s) of the affected Reference Entity. If the Principal Amount of the Notes is reduced, Noteholders will receive on redemption less than their initial investment, or even zero in certain circumstances. In addition, the amount of interest payments will be adversely affected.

No Obligation to Make Good on Losses

None of the Issuer, the Programme Parties, the Portfolio Manager guarantees the performance of, or otherwise stands behind, any Reference Entity or Reference Obligation and is not obligated to make good on any losses suffered by Noteholders as a result of Credit Events.

Correlation Concerns

The size of the Reference Portfolio, the composition of Reference Entities and Reference Obligations and the Reference Portfolio's weighted average rating and diversity are among some of the critical factors that affect both the market value of the Notes and the level of subordination required to achieve their anticipated rating. Generally, the higher the credit spread in respect of the Reference Entities, the higher the spread that can be payable on the Notes but the greater the severity (e.g. credit loss) that would arise upon each Credit Event, thereby accelerating the reduction in subordination.

Leverage

The Notes represent a highly leveraged investment. The use of leverage is a speculative investment technique to enhance returns. However, leverage also will magnify the adverse impact of Credit Events in relation to the Reference Portfolio.

Default Rates

Reliable sources of statistical information may not exist with respect to the defaults for all types of assets comprising the Reference Portfolio. In addition, there is limited historical data regarding the performance of the Reference Entities. In any event, past performance is not indicative of future performance. Actual default rates may exceed historical default rates in respect of the Reference Entities.

Replacement of Reference Entities

Under the terms of the Portfolio Management Agreement, the Portfolio Manager may remove, replace or include one or more Reference Entities in accordance with the Replacement Procedures and the Replacement Guidelines.

Because the composition of the Reference Portfolio, and hence the risk of occurrence of a Credit Event, may change over time depending on the extent to which the Portfolio Manager makes such adjustments to the composition of the Reference Portfolio, the performance of any investment in the Notes will be in part dependent upon the selection of Reference Entities by the Portfolio Manager and its expertise to make adjustments to the composition of the Reference Portfolio.

Furthermore, prospective purchasers of Notes should note that: (a) the Adjusted Subordination Amount (representing the level of subordination underlying the Notes) and (b) consequentially, the Adjusted Notional Amount (being the amount repayable to the Noteholders on maturity of the Notes and the amount upon which interest on the Notes is applied) may increase or decrease as a result of trading gains and losses, respectively, in respect of any substitutions made to the Reference Portfolio and/or may be increased or decreased by way of a Subordination Enhancement or Subordination Reduction. Alternatively, trading gains and losses may be credited or debited, as the case may be, to the Reserve Account, subject to the provisions of the Portfolio Management Agreement.

The Portfolio Manager is responsible for substitutions of Reference Entities in the Reference Portfolio. The Issuer does not assume any responsibility for any exercise by the Portfolio Manager of, or any failure by the Portfolio Manager to exercise, its right to make such substitutions.

Subordination Transactions

The Portfolio Manager may effect Subordinated Enhancements and Subordinated Reductions in accordance with the Portfolio Management Agreement. Subordinated Enhancements result in the Adjusted Subordination Amount being increased and the Reserve Account Balance being decreased whilst Subordinated Reductions result in the Adjusted Subordination Amount being decreased and the Reserve Account Balance being increased. The amount by which the Adjusted Subordination Amount being increased (or decreased) and the Reserve Account Balance being decreased (or increased) shall not be equal as the amount of such adjustments will reflect the relative value of the Adjusted Subordination Amount and the Reserve Account. As a result, in the case of a Subordination Reduction, the amount by which the Reserve Account Balance is increased may be less than the amount by which the Adjusted Subordination Amount is decreased, which will have the effect of decreasing the amount of effective subordination in respect of the Notes.

Swap Counterparty Discretion

The Swap Counterparty will be entitled to determine in its sole and absolute discretion when and whether to deliver a Credit Event Notice and Notice of Publicly Available Information, and any delay or forbearance in delivering any such notices following the occurrence of any event or condition permitting the same is not and shall not be construed as a waiver of any such right and shall not affect the right of the Swap Counterparty to give any such notice at any time thereafter.

Independent Review and Advice

Each prospective purchaser of Notes is responsible for its own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity and Reference Obligations, as well as the risks in respect of the Notes and their terms, including, without limitation, any tax, accounting, credit, legal and regulatory risks.

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in such Notes including any credit risk associated with the Reference Entities and the Issuer. None of the Issuer, the Portfolio Manager or any of the Programme Parties will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the prospective purchasers of the Notes with any information in relation to such matters or to advise as to the attendant risks. See also the section entitled "Investor Suitability" in the Base Prospectus.

Although the Swap Counterparty and/or its affiliates may have entered into and may from time to time enter into business transactions with Reference Entities, the Swap Counterparty and/or its affiliates at any time may or may not hold obligations of or have any business relationship with any particular Reference Entity.

No Representations

None of the Issuer, the Portfolio Manager, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to, any Reference Entity (including, without limitation, with regard to its financial condition or creditworthiness) or any Reference Obligation or any information contained in any documents provided by any Reference Entity to any of them or to any other person or filed by any Reference Entity with any exchange or with any governmental entity regulating the offer and sale of securities.

In particular, none of the Issuer, the Portfolio Manager, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to:

- (1) the existence or financial or other condition of any Reference Entity; or
- (2) whether the relevant Obligations (as defined in the Charged Agreement) and relevant Reference Obligations constitute legal, valid and binding obligations of the Reference Entity.

Limited Recourse

All payments to be made by the Issuer in respect of the Notes will only be due and payable from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee in respect of the Collateral in respect of such Notes. To the extent that such sums are less than the amount which the holders of the Notes expected to receive (the difference being referred to herein as a **shortfall**), such shortfall will be borne, following enforcement of the security for the Notes, in the inverse of the order of priorities on enforcement specified in Condition 4(d). Each holder of Notes by subscribing for or purchasing such Notes will be deemed to accept and acknowledge that it is fully aware that: (i) the holders of the Notes shall look solely to the sums referred to in the first sentence of this section, as applied in

accordance with the order of priorities referred to in the second sentence of this section (the **Relevant Sums**), for payments to be made by the Issuer in respect of such Notes; (ii) the obligations of the Issuer to make payments in respect of such Notes will be limited to the Relevant Sums and the holders of such Notes shall have no further recourse to the Issuer (or any of its rights, assets or properties), the Swap Counterparty, the Portfolio Manager or any other Programme Party or person and, without limiting the generality of the foregoing, any right of the holders of such Notes to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and (iii) the holders of such Notes shall not be entitled to petition for the winding up of the Issuer as a consequence of any such shortfall or otherwise.

No Guarantee of Performance

None of the Programme Parties, the Portfolio Manager is obligated to make payments on the Notes, and none of them guarantees the value of the Notes or is obliged to make good on any losses suffered as a result of an investment in the Notes. Investors must rely solely on the relevant Collateral for payment under the Notes. There can be no assurance that amounts received by the Issuer from the Collateral will be sufficient to pay all amounts when due if at all. Neither the Issuer, the Portfolio Manager nor any of the Programme Parties will have any liability to the holders of any Notes as to the amount, or value of, or any decrease in the value of, the relevant Collateral.

Offer Price

The Arranger and the Dealer have agreed with the Issuer to place certain Notes in individually negotiated transactions at varying prices to be determined at the time of sale.

No Secondary Market

A secondary market may not develop in respect of the Notes. In the event that a secondary market in the Notes develops, there can be no assurance that it will provide holders of Notes with liquidity of investment or that it will continue for the life of the Notes. None of the Arranger, any Dealer or any of their respective affiliates is under any obligation to make a market in, or otherwise offer to repurchase or unwind the terms of, any Notes. In the event that the Arranger or any Dealer or any of their affiliates commences any market making, it may discontinue doing so at any time without notice. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in, and the financial and other risks associated with an investment in, the Notes. Investors must be prepared to hold the Notes for an indefinite period of time or until the final redemption or maturity of the Notes.

Conflicts of Interest

The Issuer, the Portfolio Manager, the Programme Parties and any of their respective affiliates may deal in any obligation, including any Reference Obligations of a Reference Entity or its affiliates, and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, any Reference Entity, its affiliates, any other person or entity having obligations relating to a Reference Entity or its affiliates and may act with respect to such business in the same manner as if any Notes did not exist, regardless of whether any such action might have an adverse effect (including, without limitation, any action which might give rise to a Credit Event) on a Reference Entity and/or its affiliates. Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and some or all of the Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates, on the other hand. None of the Issuer, the Programme Parties, the Portfolio Manager nor any of their respective affiliates is required to resolve such conflicts of interest in favour of the Noteholders and may pursue actions and take such steps that it deems necessary or appropriate to protect its interests without regard to the consequences for the Noteholders. In particular, the interests of the Swap Counterparty, the Portfolio Manager may be adverse to those of the Noteholders. The terms of the Notes, the Charged Agreement and the Portfolio Management Agreement provide the Swap Counterparty,

the Portfolio Manager and the Calculation Agent with certain discretions which it may exercise without any regard for the interests of the Noteholders.

No Fiduciary Role

None of the Issuer, any of the Programme Parties, the Portfolio Manager or any of their respective affiliates is acting as an investment advisor, and none of them (other than the Trustee) assumes any fiduciary obligation, to any purchaser of Notes.

None of the Issuer or any of the Programme Parties or the Portfolio Manager assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity or any Reference Obligation or of the Swap Counterparty, the Portfolio Manager (other than the Portfolio Manager itself) or the terms of the Charged Agreement or the Portfolio Management Agreement.

None of such parties makes any representation or warranty, express or implied, as to any of such matters nor as to the legal, valid and binding effect of the terms of the Charged Agreement or the Portfolio Management Agreement.

Provision of Information

The Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Reference Entity, any affiliate of a Reference Entity or any guarantor or any Reference Obligation that is or may be material in the context of these Notes and that may or may not be publicly available or known. The Notes will not create any obligation on the part of any of the Issuer, the Programme Parties, the Portfolio Manager and any of their respective affiliates to disclose any such relationship or information (whether or not confidential). None of the Issuer, the Programme Parties, the Portfolio Manager or any of their respective affiliates makes any representation as to the credit quality of any Reference Entity or Reference Obligation. The information contained herein in relation to the Reference Entities is contained in Annex I to the Form of Confirmation set out in Annex 1 hereto and, while the Issuer accepts responsibility for correctly reproducing such information from such Confirmation, no other responsibility in respect thereof is accepted. In particular, none of the Issuer and the Programme Parties, the Portfolio Manager or any of their respective affiliates or any other person has verified the information relating to the Reference Entities contained herein or in any of the documents made available for inspection by the Noteholders and, accordingly, none of them makes any representation or warranty, express or implied, as to the accuracy or completeness of such information.

This Prospectus does not provide any information on the creditworthiness or likelihood of the occurrence of a Credit Event with respect to any Reference Entity and/or Reference Obligation. As the occurrence of a Credit Event may result in a loss to purchasers of the Notes, each prospective investor is advised to make its own assessment of the likelihood of the occurrence of a Credit Event in respect of any Reference Entities and/or Reference Obligations from time to time constituting the Reference Portfolio.

Changes in Tax Law

There can be no assurance that the laws, rules and regulations relating to taxation in the jurisdictions relevant to the Notes will not be subject to change following the Issue Date. Each prospective purchaser of Notes should be aware that the amounts available to make payments on the Notes may be reduced as a result of any change in any such applicable law, rule or regulation or interpretation thereof. In particular, in the case of any United Kingdom corporation tax being imposed on the Issuer, or the Issuer becoming required to account for such tax, pursuant to the Portfolio Management Agreement, the Portfolio Manager may be removed if a Tax Event (as defined in the Portfolio Management Agreement) occurs.

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of the Notes.

Withholding on the Notes

In the event that withholding or deduction of any taxes from payments of principal or interest in respect of the Notes is required by law in any jurisdiction, the Issuer is not under any obligation to make additional payments to the holders of any Notes in respect of such withholding or deduction.

Corporation Taxation

If the provision of services to the Issuer by the Portfolio Manager were to result in the Issuer being treated as trading in the United Kingdom through a United Kingdom permanent establishment for tax purposes, the Issuer and the Portfolio Manager would generally be liable under current law for United Kingdom corporation tax arising on profits from that trade. However, the Portfolio Manager should be entitled to a specific exemption from United Kingdom corporation tax (assuming it were required), provided certain conditions are satisfied; the exemption would also apply to the Issuer if available. The Portfolio Manager has made representations and given covenants to the Issuer which relate to the conditions for the exemption, to provide comfort to the Issuer that the conditions for the exemption are likely to be complied with.

The Issuer is entitled to an indemnity from the Portfolio Manager against certain Liabilities (as defined in the Portfolio Management Agreement), fees and expenses in respect of or arising out of any Portfolio Manager Breach (as defined in the Portfolio Management Agreement). Such Liabilities could include liabilities to United Kingdom corporation tax incurred by the Issuer as a result of a material breach of the representations and covenants relating to the conditions for the exemption mentioned above. However, the Portfolio Manager shall not be required to indemnify the Issuer for any liability relating to tax (including, without limitation, any expenses where the underlying claim relates to tax) to the extent that the tax liability is due to a breach by the Issuer or the Trustee of the Portfolio Management Agreement, or due to the negligence, wilful misconduct, fraud or bad faith of the Issuer or the Trustee.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria 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).

Legal Opinions

Whilst legal opinions relating to the issue of the Notes will be obtained by the Arranger, the Dealer and the Trustee with respect to English law and the law of the jurisdiction of incorporation of the Issuer, it is not intended that legal opinions be obtained with respect to the laws governing any Reference Obligation or the laws of the country of incorporation of a Reference Entity in the context of the validity, enforceability or binding nature of the relevant Reference Obligation as against the relevant Reference Entity.

CONDITIONS OF THE NOTES

Series 2006 (Piccadilly 2) EUR 14,043,000 Secured Limited Recourse Credit-Linked Notes due 2016

The Terms and Conditions of the Notes designated as above (the **Notes**) shall be the Master Conditions as completed, modified and amended by the terms set out below (the **Terms**). The Master Conditions are set out in the Base Prospectus relating to the XELO II Public Limited Company U.S.\$5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the **Programme**). Unless the context otherwise requires, terms defined in the Master Conditions or in the Charged Agreement (as defined below) shall have the same meanings when used in these terms.

1.
 - (i) Issuer: XELO II Public Limited Company
 - (ii) Arranger and Dealer: Barclays Bank PLC.
 - (iii) Swap Counterparty: Barclays Bank PLC.
 - (iv) Trustee: BNY Corporate Trustee Services Limited.
 - (v) Portfolio Manager: New Bond Street Asset Management LLP, pursuant to the master portfolio management agreement dated 17 October 2006 between *inter alios* the Issuer, the Trustee, the Swap Counterparty, the Portfolio Manager (the **Master PMA**) as supplemented or modified by the appointment letter dated 17 October 2006 in respect of the Notes (the **Appointment Letter** and, together with the Master PMA, the **PMA** or **Portfolio Management Agreement**).
 - (vi) Issue Agent and Principal Paying Agent: JPMorgan Chase Bank, N.A.
 - (vii) Paying Agent and Irish Listing Agent: J.P. Morgan Bank (Ireland) plc.
 - (viii) Custodian: JPMorgan Chase Bank, N.A.
 - (ix) Interest Calculation Agent: Not applicable.
 - (x) Common Depositary: JPMorgan Chase Bank, N.A.
 - (xi) Determination Agent: Barclays Bank PLC.
2.
 - (i) Series Number: Series 2006 (Piccadilly 2).
 - (ii) Specified Currency: Euro (**EUR** or **€**).
3. Principal Amount: As of the Issue Date, the initial principal amount shall be EUR 14,043,000 (the **Initial Principal Amount**). Following the Issue Date, the Principal Amount shall be reduced (without any repayment) at the same time and by the same amount as the Adjusted Notional Amount (as defined in the Charged Agreement) is reduced pursuant to the Charged Agreement, provided that the Principal Amount

shall not be reduced to less than zero and shall not be increased to greater than the Initial Principal Amount.

Noteholders should note the definition of **Adjusted Notional Amount** in Section 1 of Part II of the Confirmation (as defined below), which is contained as Annex 1 to this Prospectus.

If on any day the Principal Amount is irrevocably reduced to zero and no Adjusted Notional Amount (as defined in the Charged Agreement) then may be due or remains to be determined, the Issuer shall be deemed to have redeemed all of the Notes (without any repayment), and all claims in respect of the Notes shall be extinguished for all purposes. If on any day the Principal Amount is reduced to zero and an Adjusted Notional Amount then may be due or remains to be determined, then, upon payment of such Adjusted Notional Amount or reduction of such Adjusted Notional Amount (without repayment), all claims in respect of the Notes shall be extinguished for all purposes.

4. Status:

The Notes are secured and limited recourse obligations of the Issuer ranking *pari passu* and rateably without preference among themselves, recourse in respect of which is limited in the manner described in the Conditions. The Notes are secured in the manner described in Condition 4 and Paragraph 11 (Security) below and are subject to the priority set out below. Any shortfall in payment by the Issuer shall be borne in inverse order of priority as set out below.

After meeting the expenses and remuneration of, and any other amounts due to, the Trustee, including in respect of liabilities incurred, or to any receiver appointed pursuant to the Trust Deed, in each case in respect of the Notes, all amounts received by the Trustee upon an enforcement of the security in respect of the Notes will be applied:

- (i) **first**, in meeting the claims (if any) of the Swap Counterparty under the Charged Agreement (excluding, for the avoidance of doubt, in relation to any claim in respect of any Clean-Up Payment);
- (ii) **second**, *pari passu* on a *pro rata* basis:
 - (A) in meeting the claims (if any) of the Noteholders *pari passu* and rateably; and
 - (B) in meeting the claims (if any) of the Portfolio Manager in respect of fees pursuant to the Portfolio Management Agreement;
- (iii) **third**, in meeting the claims (if any) in respect of any Clean-Up Payment of the Swap Counterparty under the Charged Agreement; and

- (iv) **fourth**, in payment of the balance (if any) to the Issuer.

unless an Early Termination Date under the Charged Agreement is designated or deemed to occur as a result of an Event of Default in relation to the Swap Counterparty as the Defaulting Party, in which case the following order of priority shall apply:

- (i) **first**, *pari passu* on a *pro rata* basis:
- (A) in meeting the claims (if any) of the Noteholders *pari passu* and rateably; and
 - (B) in meeting the claims (if any) of the Portfolio Manager in respect of fees pursuant to the Portfolio Management Agreement;
- (ii) **second**, in meeting the claims (if any) of the Swap Counterparty under the Charged Agreement (including, for the avoidance of doubt, in relation to any claim in respect of any Clean-Up Payment (if any)); and
- (iii) **third**, in payment of the balance (if any) to the Issuer.

5. Issue Price: 100 per cent.
Net Proceeds: EUR 14,043,000.
6. Authorised Denomination: EUR 100,000 and integral multiples of EUR 1,000.
7. Issue Date: 17 October 2006.
8. Maturity Date: The Termination Date of the Charged Agreement (as defined therein).
9. Charged Assets: There are no Charged Assets.
10. Charged Agreement: The International Swaps and Derivatives Association, Inc. (ISDA) 1992 form of Master Agreement (Multicurrency – Cross Border) and a schedule thereto dated the date of the Constituting Instrument between the Swap Counterparty and the Issuer, as supplemented by (i) a confirmation of a swap transaction entered into between the Swap Counterparty and the Issuer (the **Confirmation**) and (ii) the ISDA 1995 form of Credit Support Annex (Bilateral Form-Transfer), each of (i) and (ii) with an effective date as of the Issue Date.
11. Security: As set out in Condition 4(a) (Security), save that: (a) the Trustee shall hold such security on trust for itself, the Swap Counterparty, the Portfolio Manager, the Noteholders and the Couponholders; (b) only for the purposes of Condition

4(a), "Charged Assets" shall be deemed to include Eligible Credit Support; (c) subject to (b) above there will be no (i) Charged Assets or (ii) Charged Assets Sale Agreement (and accordingly no security granted thereover); and (d) the obligations of the Issuer shall also be secured by an assignment of the Issuer's rights, title and interest under the Portfolio Management Agreement, and in each case all sums derived therefrom.

12. Provisions Relating to Interest Payable on the Notes: The Issuer shall pay in respect of each Note and each Interest Period an amount equal to the Interest Amount on the relevant Interest Payment Date. Interest Amounts shall accrue from the Interest Commencement Date and shall cease to accrue on the Maturity Date or such earlier date on which the Notes may be redeemed. The Issuer shall also pay in respect of each Note any Additional Amounts.
- (i) Interest Commencement Date: Issue Date.
 - (ii) Interest Periods: Each Buyer Calculation Period (as defined in the Charged Agreement).
 - (iii) Interest Payment Dates: Each Buyer Period End Date (as defined in the Charged Agreement).
 - (iv) Interest Amounts: In respect of each Interest Payment Date and each Note, such Note's *pro rata* share (rounded down to the nearest cent) of an amount equal to the Buyer Payment Amount payable in respect of the Buyer Period End Date (in each case, as defined in the Charged Agreement) that corresponds to such Interest Payment Date.
 - (v) Additional Amounts: In addition, on the Business Day following (a) each Buyer Additional Payment Date (as defined in the Charged Agreement) or, as the case may be, (b) the Buyer Payment Date immediately following the Last Cash Settlement Date which falls in a Buyer Calculation Period which is not an Affected Calculation Period, the Issuer shall pay in respect of each Note such Note's *pro rata* share (rounded down to the nearest cent) of an amount equal to the Interest Shortfall Amount (in each case, as defined in the Charged Agreement) payable on such date.

For the purposes of the payment of any Interest Shortfall Amount, notwithstanding the occurrence of the Maturity Date the Notes shall be deemed to remain outstanding until such Interest Shortfall Amount is paid in accordance with the preceding paragraph.

For the avoidance of doubt, the provisions of this Paragraph 12 are deemed to amend and supplement Condition 6 (Interest) and, to the extent of any conflict between the provisions of this Paragraph 12 and Condition 6

(Interest), the provisions of this Paragraph 12 shall prevail.

13. Notes issued in bearer or registered form: Bearer Notes. The Notes shall be a non-U.S. Series.
14. Whether Notes will be C Notes or D Notes: The Notes shall be D Notes and, accordingly, the Notes shall be represented on issue by a Temporary Global Note.
15. Provisions for exchange of Temporary Global Note: The Temporary Global Note shall be exchangeable for a Permanent Global Note on or after 40 days from the Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of such Temporary Global Note) upon certification as to non-U.S. beneficial ownership.
16. Provisions for exchange of Permanent Global Note: The Permanent Global Note shall be exchangeable for definitive bearer Notes in the limited circumstances set out in Condition 1(a)(1) (Bearer Notes).
17. Talons: No.
18. Listing: Application has been made to the Irish Financial Services Regulatory Authority (the **IFSR**), as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market.
- However, the Notes will not be so listed or admitted to trading on the Issue Date and no assurance is given that such listing or admission to trading will be obtained thereafter.
19. Business Days: London, New York and TARGET Settlement Days. In these Terms and for the purposes of the Conditions, references to **Business Days** shall (except where specified otherwise) be construed as references to days which are London and New York Business Day and TARGET Settlement Days.
20. Call/Put Option: Not applicable.
21. Scheduled Redemption Amount: The Notes are Credit-Linked Notes. Unless redeemed earlier as a result of reductions in the Adjusted Notional Amount as provided in Paragraph 3 above, each Note will be redeemed by payment of the following amounts:
- (i) on the Scheduled Termination Date (as defined in the Charged Agreement) or, if such date is not a Business Day, on the following Business Day, an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the Adjusted Notional Amount on such date (after giving effect to any adjustment thereto in connection with any effective Extension Notice); and
 - (ii) on the Deferred Settlement Date (as defined in the

Charged Agreement), if any, an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the Adjusted Notional Amount on such day, if any, *plus* interest accrued on such amount from (and including) the Scheduled Termination Date (as defined in the Charged Agreement) to (but excluding) the Deferred Settlement Date, as determined by the Calculation Agent in respect of the Charged Agreement to be equal to the sum of the product of the following for each day in such period:

- (a) the Swap Counterparty's overnight deposit rate for deposits in the Settlement Currency (as defined in the Charged Agreement) in the amount of the Adjusted Notional Amount and the Reserve Account Residual Balance (if any);
 - (b) the Adjusted Notional Amount on the Deferred Settlement Date; and
 - (c) $1/360$; and
- (iii) on the later of the Scheduled Termination Date and the Deferred Settlement Date, an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the Reserve Account Balance as of such day (after taking into account any reductions to the Reserve Account Balance on or prior to such day and, for this purpose, including any reductions in respect of amounts payable from the Reserve Account to the Portfolio Manager on such day pursuant to the Portfolio Management Agreement).

In the event that the Adjusted Notional Amount is reduced to zero, no redemption amount will be due.

If the payment of each Note's *pro rata* share of the Adjusted Notional Amount is postponed solely due to such date not being a Business Day, interest from (and including) the Scheduled Termination Date to (but excluding) the following Business Day shall be paid by the Issuer to the Noteholders on such following Business Day in an amount determined by the Calculation Agent in respect of the Charged Agreement to be equal to the sum of the product of the following for each day in such period:

- (a) the Swap Counterparty's overnight deposit rate for deposits in the Settlement Currency in the amount of the Adjusted Notional Amount;
- (b) the Adjusted Notional Amount for such day; and

(c) 1/360.

22. Settlement Procedures: The Notes have been accepted for settlement in Euroclear and Clearstream, Luxembourg.
23. ISIN: XS0270416984.
24. Common Code: 027041698.
25. Consideration for initial Charged Assets: Not applicable.
27. Additional Provisions: (a) The penultimate sentence of Condition 13(a) shall be deleted and replaced with the following:
- "The Trust Deed provides that the Trustee may, without the consent of the Noteholders but only with the prior written consent of each Swap Counterparty (if any) (which consent may be granted or refused in the discretion of such Swap Counterparty) and, if the Notes are rated at the request of the Issuer by any Rating Agency provided that each such Rating Agency which has so assigned a rating to the Notes shall have been notified in advance thereof and shall have confirmed to the Trustee that its then current rating of the Notes in question will not be withdrawn or adversely affected thereby, agree to (i) any modification to the Constituting Instrument, the Trust Deed, the Portfolio Management Agreement, any Additional Charging Instrument, the Agency Agreement, any Custody Agreement or any Charged Agreement or the Notes or the Conditions thereof or any other agreement or deed constituted or created by the Constituting Instrument, or in any other way, in any such case which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is made as a result of any comments raised by any stock exchange or competent authority in connection with an application to list or trade the Notes, and (ii) any other modification and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Constituting Instrument, the Trust Deed, the Portfolio Management Agreement, any Additional Charging Instrument, the Agency Agreement, any Custody Agreement or any Charged Agreement or any agreement or deed constituted or created by the Constituting Instrument and to which the Issuer and/or the Trustee are a party or any accession by or substitution of any party to any such agreement or deed, in any such case which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders or any other secured creditor, but

such power shall not extend to any such modification as is mentioned in the proviso to paragraph 19 of Schedule 1 to the Trust Deed otherwise than in the case of manifest or proven error. For the avoidance of doubt, but without limitation, no amendment may be made to any security held by the Trustee for any Swap Counterparty and any other secured creditor without the prior written consent of such Swap Counterparty."

- (b) Condition 16 shall be amended by the addition of an additional paragraph (b)(vii) as follows:

"(vii) the Issuer enters into any additional or supplemental Transaction Documents as may be required to preserve the economic equivalent of the existing Notes."

- (c) Condition 14 shall be amended by the addition of the following paragraph:

"Each Noteholder shall notify the Issuer, the Trustee and the Swap Counterparty of the name, address and contact details of any person to whom it transfers its Note.

Any notice sent to the Noteholders pursuant to this Condition 14 shall be deemed to have been properly delivered: (A) if made in writing and sent by first class post, one Business Day after it is posted; or (B) if made by electronic means, immediately."

- (d) The definition of **Early Redemption Amount** in Condition 7(e)(2) shall be amended by replacing item (i) with "an amount equal to such Note's *pro rata* share (rounded down to the nearest cent) of the outstanding Principal Amount and of the Reserve Account Balance as of such day (after taking into account any reductions to the Reserve Account Balance on or prior to such day and, for this purpose, including any reductions in respect of amounts payable from the Reserve Account to the Portfolio Manager on such day pursuant to the Portfolio Management Agreement)."

- (e) Upon the purchase of any Notes by the Issuer pursuant to Condition 7(g), the Determination Agent may, without the consent of any party, amend the terms of the Notes and any other Transaction Document to preserve the economic equivalence of the transaction.

28. Agent for service of process:

For the purposes of Condition 18 (Governing Law and

Submission to Jurisdiction), the Issuer has appointed Fleetside Legal Representative Services Limited at its registered office at 9 Cheapside, London EC2V 6AD as its agent for service of any proceedings in England in relation to the Notes and the Constituting Instrument.

29. Credit Events:

The occurrence of any Credit Events (as defined in the Charged Agreement) and all calculations, determinations and other steps required to be taken in connection therewith, in each case under or in respect of the Charged Agreement, are conclusive and binding on the Issuer, the Trustee, the Noteholders, the Principal Paying Agent, the Paying Agent, the Portfolio Manager and all other persons as and when they occur or they are made or taken under or in connection with the Charged Agreement pursuant to its terms, without further notice or determination hereunder.

30. Depositary Account:

XE209.

CONFIRMED

XELO II PUBLIC LIMITED COMPANY

By:

Dated 17 October 2006

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer on the Issue Date to satisfy its initial payment obligation under the Charged Agreement.

DESCRIPTION OF PORTFOLIO MANAGEMENT AGREEMENT

*The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing in the master portfolio management agreement dated 17 October 2006 between, inter alios, the Issuer, the Swap Counterparty, the Trustee and the Portfolio Manager (the **Master Portfolio Management Agreement** or the **Master PMA**) as supplemented or modified by the appointment letter dated 17 October 2006 in respect of the Notes (the **Appointment Letter** and, together with the Master PMA, the **Portfolio Management Agreement** or the **PMA**). Capitalised terms not specifically defined in this summary have the meanings set out in the PMA.*

General

Pursuant to the PMA the Portfolio Manager shall, on behalf of the Issuer, perform certain management functions in respect of the Reference Portfolio on an ongoing basis.

Fees

The Issuer has agreed to pay to the Portfolio Manager in respect of its services under the PMA such fees as agreed between the Issuer and the Portfolio Manager and as set out in the Appointment Letter in respect of the Notes (the **Fees**), such Fees to be deemed to be exclusive of VAT.

In addition, in the event that the Issuer is required to withhold or deduct on account of tax from the Fees payable by the Issuer to the Portfolio Manager under the PMA, the Issuer shall be required to pay an additional amount to the Portfolio Manager in respect of such withholding or deduction, unless such withholding or deduction is due to a Portfolio Manager Breach and subject to the parties to the PMA agreeing to and implementing measures which will avoid or significantly reduce either the tax liability giving rise to an additional amount or the economic cost of that additional amount to the Issuer within an agreed timeframe, as further described in the PMA. In any event, the Portfolio Manager may be removed on the occurrence of a Tax Event (see Removal for Tax Event below).

In the event that (i) the Notes are redeemed prior to their maturity date, (ii) the Swap Agreement in respect of the Notes terminates or (iii) the Portfolio Manager is removed or resigns, the Portfolio Manager may be entitled to Fees in respect of the Notes in accordance with the PMA in respect of the period up to and including (i) the date on which the Notes are redeemed, (ii) the date on which the Swap Agreement is terminated, or (iii) the period up to but excluding the effective date of removal or resignation, as the case may be, and the Issuer shall not be obliged to pay any further amounts in respect of Fees in relation to the Notes.

Where, (i) the Notes are redeemed on or prior to the Maturity Date (if the Portfolio Manager has not resigned or been removed as of such date), (ii) if the Portfolio Manager is (a) removed without cause pursuant to Clause 10.3 of the Master PMA, (b) removed due to its breach of covenant pursuant to Clause 8.2(b) of the Master PMA if such breach is caused by persons connected with it but outside the control of the Portfolio Manager, or (c) removed where a Tax Event has occurred pursuant to Clause 10.4 of the Master PMA by virtue of a Change in Tax Law (and for no other reason), or (iii) if the Portfolio Manager resigns pursuant to Clause 10.1 of the Master PMA, the Issuer has agreed to pay to the Portfolio Manager an amount equal to 20 per cent. of the Reserve Account Balance on such date or the effective date of removal or resignation, as applicable.

Other Business

Nothing in the PMA shall prevent the Portfolio Manager or any of its respective affiliates from engaging in other businesses, or from rendering services of any kind to the Issuer, the Swap Counterparty, the Trustee, the Noteholders or any other person or entity to the extent permitted by applicable law.

Delegation by the Portfolio Manager

The Portfolio Manager may delegate to any of its Affiliates, selected with reasonable care, and employ any such Affiliate to execute any or all of the duties and functions assigned to the Portfolio Manager under the PMA and may take advice from Affiliates; provided that (i) such delegation will not result in the Issuer becoming chargeable to taxation in the jurisdiction in which the relevant Affiliate is resident, or in which it carries out its duties which would result in tax consequences adverse to the Issuer, (ii) the Portfolio Manager shall not be relieved of any of its duties, responsibilities, or obligations under the PMA as a result of such delegation and shall be responsible for all acts and omissions of such Affiliates and (iii) the Portfolio Manager shall be solely responsible for the fees and expenses payable to any such Affiliate.

Resignation

Subject to the provisions of the PMA relating to the appointment of a successor Portfolio Manager, the Portfolio Manager may at any time resign in respect of all (but not some only) Series of Notes outstanding without cause upon not less than 30 days' prior written notice to the Issuer, the Swap Counterparty, the Trustee and the Rating Agency (if any), or immediately if the Issuer, or the Portfolio Manager becomes, or becomes aware that it will be subject to registration as an investment company for the purposes of the Investment Company Act of 1940 and provides the Issuer, the Swap Counterparty and the Trustee with a legal opinion to that effect from a law firm of recognised international standing.

Removal With Cause

The Portfolio Manager may be removed with cause forthwith upon 10 Business Days' prior written notice by the Issuer, the Swap Counterparty or the Trustee and any cost relating to such removal shall not be deducted from the Reserve Account provided that, with regard to the Trustee, the Trustee may only give such written notice if it is acting at the direction of the Noteholders representing at least 75 per cent. of the Principal Amount outstanding of all Series of Notes (excluding any Notes held by the Portfolio Manager or any of its affiliates for its or their own account).

With respect to the provisions pertaining to the removal of the Portfolio Manager, **cause** will mean:

- (a) the Portfolio Manager is negligent, or wilfully breaches, or takes any action which it knows violates any provision of the PMA or any terms of the Constituting Instrument which is not capable of remedy;
- (b) the Portfolio Manager breaches or causes the Issuer to breach any material provision of the PMA, the Swap Agreement, the Constituting Instrument or any other Transaction Document and such breach is capable of having a material adverse effect on the Issuer, and fails to cure the same within 15 Business Days of the earlier of (i) its becoming aware of or (ii) its receiving notice (in writing) from the Issuer or the Trustee of such violation;
- (c) the occurrence of certain insolvency related events in respect of the Portfolio Manager;
- (d) the occurrence of an act by the Portfolio Manager that constitutes fraud or criminal activity in the performance of its obligations under the PMA or the Portfolio Manager being charged with a criminal offence related to its primary business of managing or advising in respect of portfolios of securities on behalf of third parties;
- (e) any representation or warranty made by the Portfolio Manager in the PMA shall have been incorrect in any material respect when made and the Portfolio Manager fails to cause it to be correct in all material respects within 30 days after notice (in writing) of such breach is given by the Issuer or the Trustee to the Portfolio Manager or the Portfolio Manager has actual knowledge that the representation or warranty is not correct in all material respects, whichever is earlier;

- (f) a material change in the business operations of the Portfolio Manager has occurred and is continuing (other than a material change which gives rise to a Tax Event), such that, in the reasonable opinion of the Issuer or the Trustee, as a result of such change the Portfolio Manager no longer has the capacity or the competence to perform its obligations as Portfolio Manager, and any such material change shall not be due to a Tax Event;
- (g) the Portfolio Manager ceasing to be authorised such that, as a result of such change, the Portfolio Manager no longer has authority or competence to perform its obligations as Portfolio Manager; or
- (h) the Portfolio Manager breaches any law or regulation applicable to the performance of its obligations or its provision of portfolio management services under the PMA and such breach has a material adverse effect on any Noteholders or on the ability of the Portfolio Manager to perform its obligations under the PMA and fails to cure such breach 15 days after either notice of such failure is given to the Portfolio Manager or the Portfolio Manager has actual knowledge of such breach, whichever is earlier.

If any of the events specified in the preceding paragraphs shall occur, the Portfolio Manager shall as soon as practicable give prompt written notice thereof to the Issuer, the Swap Counterparty and the Trustee upon becoming aware of the occurrence of such event.

Removal Without Cause

The Portfolio Manager may be removed without cause upon not less than 30 days' prior written notice by the Issuer, the Swap Counterparty or the Trustee and any costs relating to such removal shall not be deducted from the Reserve Account provided that, with regard to the Trustee, the Trustee may only give such written notice if it is acting at the direction of the Noteholders representing at least 75 per cent. of the Principal Amount outstanding of all Series of Notes (excluding any Notes held by the Portfolio Manager or any of its affiliates for its or their own account).

Removal for Tax Event

The Portfolio Manager may be removed on the occurrence of a Tax Event forthwith upon 10 Business Days' prior written notice by the Issuer, the Swap Counterparty or the Trustee and any costs relating to such removal shall not be deducted from the Reserve Account provided that, with regard to the Trustee, the Trustee may only give such written notice if it is acting at the direction of the Noteholders representing at least 75 per cent. of the Principal Amount outstanding of all Series of Notes (excluding any Notes held by the Portfolio Manager or any of its Affiliates for its or their own account). For the purpose of this clause, Tax Event has the meaning given to it in the PMA.

Assignment by Portfolio Manager

- (a) The Portfolio Manager may not assign or transfer any of its rights, interests or obligations under the PMA unless all (and not part only) of the Portfolio Manager's rights, interests and obligations under the PMA are transferred or assigned to an Affiliate provided that (i) such Affiliate is incorporated in, and performs all of the functions assigned or transferred to it only from the United Kingdom, or (ii) such assignment will not result in the Issuer becoming chargeable to taxation in the jurisdiction in which the relevant Affiliate is resident or in which it carries out its duties which would result in tax consequences adverse to the Issuer, and:
 - (i) the Issuer and Swap Counterparty consents in writing prior to such assignment and/or transfer (such consent not to be unreasonably withheld or delayed); and
 - (ii) the assignee and/or transferee agree in writing to assume all of the Portfolio Manager's duties and obligations under the PMA. In the event of any such assignment or transfer, the Portfolio Manager shall use its best efforts to cause the assignee or transferee to execute and

deliver such documents necessary to effect fully such assignment or transfer and the assignee or transferee shall be deemed to make all the representations of the Portfolio Manager, *mutatis mutandis*, as set out in the PMA as on the date of assignment or transfer.

- (b) Prior to the Portfolio Manager ceasing to operate an on-going business in the management of assets comprising or referencing corporate reference entities, the Portfolio Manager shall use reasonable efforts to procure that all of its rights, interests and obligations under the PMA will be assigned and/or transferred to an Affiliate which operates an on-going business in the management of assets comprising or referencing corporate reference entities.

Other than as provided above and in the PMA, the Portfolio Manager may not assign or transfer its rights, interests or obligations under the PMA.

Assignment by Issuer

The rights, interests and obligations of the Issuer under the PMA shall not be assigned or transferred by the Issuer without the prior written consent of the Portfolio Manager, the Trustee and the Swap Counterparty, except that each party other than the Issuer hereby consents to and acknowledges the provisions regarding assignment of the Issuer's rights by way of security under the PMA set out in the Constituting Instrument.

Liability of Portfolio Manager

The Portfolio Manager does not assume any responsibility under the PMA other than to render the services called for thereunder in good faith, and subject to the standard of care which the Portfolio Manager exercises with respect to comparable assets in which it invests on its own behalf and with respect to which it advises others and in a manner consistent with practices and procedures followed by prudent institutional portfolio managers of international standing advising in respect of investments similar in nature and character to those which comprise the Reference Portfolio. The Portfolio Manager shall not assume any fiduciary duty or responsibility with regard to the Issuer, the Trustee, the Portfolio Manager, the Swap Counterparty or any other person.

Quarterly Reports and Portfolio Manager Summary

On each Quarterly Reporting Date in respect of the Reference Portfolio, the Portfolio Manager, on behalf of the Issuer, shall, in accordance with the provisions of the PMA, deliver a report (each such report, a **Quarterly Report**) to the Issuer and the Trustee, with a copy to the Swap Counterparty. Each Quarterly Report shall contain (a) the information appearing in the Reference Portfolio Ledger as at the relevant Quarterly Reporting Date, (b) information in reasonable detail in relation to any Replacements which have occurred since the immediately preceding Quarterly Reporting Date (or, if none, the Effective Date), (c) the Portfolio Manager's view on market outlook, and (d) such other information as may be agreed from time to time between the Issuer, the Swap Counterparty and the Portfolio Manager. The Portfolio Manager shall make each Quarterly Report available to the Noteholders by posting it on a password-protected website set up by the Portfolio Manager, access to which shall be limited to the parties to the PMA, the Noteholders and the parties to the Transaction Documents (the Website). The Portfolio Manager shall make available the website address for the Website to all parties who are entitled to access the Website. Noteholders that request access will be required by the Portfolio Manager to provide contact details to the Website. The Portfolio Manager shall contact the relevant Noteholder requesting proof that such Noteholder is a holder of the Notes (for which purpose a facsimile copy of a certificate detailing the holding will be sufficient). Once such evidence is received by the Portfolio Manager, the Portfolio Manager will provide to such parties the password for such Website.

On a date no later than 15 Business Days following a Quarterly Report Date, the Portfolio Manager shall prepare a summary (the **Portfolio Manager Summary**), comprising such information, description or explanation of the contents of such Quarterly Report delivered on the relevant Quarterly Reporting Date as

the Portfolio Manager considers necessary for the Issuer to have an informed view on the contents of the relevant Quarterly Report and on the investment management activities undertaken by the Portfolio Manager (on behalf of the Issuer) in respect of (i) the Reference Portfolio during the period to which such Quarterly Report relates and (ii) any changes to the Reference Portfolio that the Portfolio Manager is considering making during the period from and including the relevant Quarterly Reporting Date, to and including the immediately following Quarterly Reporting Date.

The Portfolio Manager Summary shall be submitted to the Issuer for consideration and approval as soon as practicable and in advance of each board meeting of the Issuer.

Indemnity of the Portfolio Manager

In accordance with the PMA, the Portfolio Manager shall indemnify and hold harmless (in such capacity, the **Indemnifying Party**) each of the Issuer and the Trustee (for itself and for the benefit of the Noteholders) and their respective directors, members, officers, affiliates, agents and employees (in such capacity, each an **Indemnified Party**) from and against any and all Liabilities (as defined in the PMA) that arise by reason of any Portfolio Manager Breach except to the extent that the same is due to a breach by the Issuer or the Trustee of the PMA, or to the negligence, wilful misconduct, fraud or bad faith of the Issuer or the Trustee and will reimburse each Indemnified Party for all reasonable fees and expenses, demands, charges and claims of any nature whatsoever (including fees and expenses of legal counsel) properly incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, in each case which it may incur or which may be made against it arising out of or in relation to or in connection with its appointment or the exercise of its functions under the PMA and the other Transaction Documents to which it is a party that arise in connection with the issuance of Notes, the transactions contemplated by the Prospectus, the PMA or any other Transaction Document and/or any action taken by, or any failure to act by, such Indemnifying Party under or in connection with the PMA.

Indemnity of the Issuer

In accordance with the PMA, the Issuer shall indemnify and hold harmless (in such capacity, the **Indemnifying Party**) the Portfolio Manager and the Swap Counterparty (and their respective directors, members, shareholders, officers, affiliates, agents and employees) (in such capacity, each an **Indemnified Party**) from and against any and all Liabilities that arise by reason of any breach by the Issuer of the PMA except to the extent that the same is due to a Portfolio Manager Breach, or to the negligence, wilful misconduct, fraud or bad faith of the Portfolio Manager and will reimburse each Indemnified Party for all fees and expenses, demands, charges and claims of any nature whatsoever (including reasonable fees and expenses of legal counsel) properly incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, in each case which it may incur or which may be made against it arising out of or in relation to or in connection with its appointment or the exercise of its functions under the PMA and the other Transaction Documents to which it is a party that arise in connection with the issuance of Notes, the transactions contemplated by the Prospectus, the PMA or any other Transaction Document and/or any action taken by, or any failure to act by, such Indemnifying Party under or in connection with the PMA.

Governing Law

The PMA is governed by the law of England and Wales.

REPLACEMENTS IN RESPECT OF THE REFERENCE PORTFOLIO

Replacement Procedures and Replacement Guidelines

1. Definitions; Interpretation

- 1.1 Capitalised terms used herein and not defined in the Confirmation shall have the meanings given to them in Exhibit I annexed hereto.
- 1.2 The parties agree that the deadlines and time periods specified in Clause 2 hereof are for guidance only and that if, in the prevailing circumstances, it is not in any particular case reasonably practicable for any party to comply precisely with any particular deadline, the Buyer shall use reasonable efforts to establish an alternative deadline or time period that is substantially consistent with the other provisions hereof. For the avoidance of doubt, this Clause 1.2 shall not apply to the Replacement Guidelines set out in Clause 4.

2. Replacement Procedures

- 2.1 The Portfolio Manager may, on any London Business Day during the Replacement Period, propose to the Buyer by notice in writing to the Buyer's Designated Persons (each such notice a **Replacement Notice**):
- (a) to remove a Reference Entity from the Reference Portfolio (a **Replaced Entity**); and
 - (b) to include in the place thereof a Reference Entity in an amount equal to the Reference Entity Notional Amount of the Replaced Entity (a **Replacement Entity**),

(each such proposal, a **Proposed Replacement**). The Portfolio Manager may specify more than one such pair of Replaced Entity and Replacement Entity in a Replacement Notice, provided each such pair shall constitute a separate Proposed Replacement.

A Replacement Notice shall specify in respect of each Proposed Replacement to which it relates:

- (i) whether the Replaced Entity is a Credit Impaired Reference Entity; and
- (ii) legal names of the Replaced Entity and the Replacement Entity.

A Replacement Notice delivered by 5pm Notification City Time on a London Business Day shall be effective on such day. A Replacement Notice given after such time on such day shall be deemed to be effective on the next following London Business Day.

- 2.2 Upon effective delivery of a Replacement Notice by the Portfolio Manager:

- (a) At or prior to 2 p.m. in the Notification City on the Replacement Business Day following the relevant Notification Business Day (such date, the **Replacement Compliance Date**) the Buyer shall notify the Portfolio Manager of the following information in respect of the Proposed Replacements specified in such Replacement Notice as of such Replacement Compliance Date, in each case as determined by Buyer in its sole and absolute discretion on an indicative basis (collectively, the **Indicative Replacement Information**):
 - (i) the Bid Spread for each Replacement Entity;
 - (ii) the Offer Spread for each Replaced Entity;

- (iii) the Delta for each Replacement Entity;
 - (iv) the Delta for each Replaced Entity;
 - (v) the Subordination Adjustment Amount in respect of each Proposed Replacement or, if the Replacement Notice relates to more than one Proposed Replacement, the Subordination Adjustment Amount in respect of such Proposed Replacements considered in aggregate;
 - (vi) the Reserve Account Adjustment Amount in respect of each Proposed Replacement or, if the Replacement Notice relates to more than one Proposed Replacement, the Reserve Account Adjustment Amount in respect of such Proposed Replacements considered in aggregate; and
 - (vii) the Specified Reference Obligation for each Replacement Entity.
- (b) Upon delivery of such Indicative Replacement Information by the Buyer, the Portfolio Manager shall notify the Designated Person(s) of the Buyer whether or not it wishes to proceed with obtaining firm quotations in respect of the Proposed Replacement(s) no later than 2.30 p.m. in the Notification City and, if so:
- (i) the Buyer will refresh the Indicative Replacement Information provided pursuant to paragraphs (a)(i)-(ii) above and notify the Portfolio Manager thereof (as so refreshed, the **Firm Replacement Information**); and
 - (ii) the Portfolio Manager will, if it so elects, provide to Buyer Bid Spreads and/or Offer Spreads obtained by the Portfolio Manager from Approved Dealers in respect of any Replacement Entity and/or Replaced Entity contained in the Replacement Notice provided in each case that such quotation shall remain firm and open for acceptance by Buyer (each an **Alternative Quotation**),

in each case at 3 p.m. in the Notification City. Upon such notifications being made, the Portfolio Manager shall immediately notify Buyer whether it wishes to proceed with the relevant Replacements, and whether it elects for Subordination Adjustment or Reserve Account Adjustment to apply with respect thereto in accordance with Clause 3.1 below.

Such notification shall be deemed to be a representation and warranty by the Portfolio Manager that:

- (A) such Proposed Replacements comply with the Replacement Procedures and Replacement Guidelines as of the Replacement Compliance Date; or
- (B) if any of the Replaced Entities in respect of any Proposed Replacement is a Credit Impaired Reference Entity, the Proposed Replacements comply with the Replacement Procedures and Replacement Guidelines other than Clause 4.4 (*Compliance with Replacement Limit Criteria*) and, if the Notes are rated by S&P, Clause 4.8 (*Compliance with S&P SROC Test*) as of the Replacement Compliance Date.

Provided in each case that if prior to giving effect to the Proposed Replacements the Reference Portfolio does not comply with the Replacement Guidelines as of the Replacement Compliance Date, then such deemed representation and warranty shall be that giving effect to such Proposed Replacements would not increase the extent of non-compliance of the Reference Portfolio with the Replacement Guidelines as of that Replacement Compliance Date.

- (c) If the Portfolio Manager notifies the Designated Person(s) of Buyer in accordance with Clause 2.2(b) above that it wishes to proceed with the Proposed Replacements, then the Proposed Replacements shall become effective in accordance with Clause 2.4 below on the basis of the most favourable Bid Spread or Offer Spread as applicable with respect to each Replaced Entity and Replacement Entity (whether that be contained in the Firm Replacement Information or an Alternative Quotation provided by the Portfolio Manager) *provided that* such Proposed Replacement shall only take effect on the basis of Alternative Quotations if Buyer, having made all reasonable efforts, is able to enter into the relevant credit default swaps for the relevant size and tenor with:
 - (i) the relevant Approved Dealers at levels identical to the most favourable Alternative Quotations provided by the Portfolio Manager; or
 - (ii) at the sole and absolute discretion of Buyer, at levels equal to or more favourable than the most favourable Alternative Quotations provided by the Portfolio Manager.

2.3 If:

- (a) the Portfolio Manager fails to provide any notice in accordance with Clause 2.2(b) above (as determined by Buyer) as to whether it wishes to proceed with all the Proposed Replacements having the same Replacement Compliance Date; or
- (b) the Portfolio Manager, pursuant to Clause 2.2(b) above, notifies Buyer that it does not wish to proceed with all the Proposed Replacements having the same Replacement Compliance Date; or
- (c) Buyer notifies the Portfolio Manager that the Proposed Replacements do not comply with any of the Replacement Procedures or Replacement Guidelines (provided that, for the avoidance of doubt, Buyer shall have no obligation to determine whether the Proposed Replacements so comply and shall be entitled to rely on the representation and warranty given by the Portfolio Manager in paragraph (b) above);

then none of such Proposed Replacements shall become a Replacement (such Proposed Replacement being an **Ineffective Replacement**) and no Subordination Adjustment Amount or Reserve Account Adjustment Amount shall be determined in respect of any such Ineffective Replacement. Such Ineffective Replacement shall nonetheless be considered a Proposed Replacement for the purposes of the Replacement Limit Criteria under Clause 4.4 (Compliance with Replacement Limit Criteria). None of Buyer, Seller or the Calculation Agent or any of their Affiliates shall have any liability or responsibility to any persons (including, without limitation, any holder of Notes or the Trustee) in respect of such Ineffective Replacement or the failure to give effect to such Proposed Replacement.

2.4 If the Portfolio Manager notifies the Buyer that it wishes to proceed with the Proposed Replacements pursuant to Clause 2.2(b) above then each Proposed Replacement shall become effective as of the related Replacement Date, (each Proposed Replacement that complies with the foregoing and as agreed between the Portfolio Manager and Buyer in accordance with the procedures set out herein, a **Replacement**) and:

- (a) the Replaced Entity in respect of each Proposed Replacement shall cease to be a Reference Entity; as of such Replacement Date;
- (b) the Replacement Entity relating to each Proposed Replacement shall constitute a Reference Entity as of such Replacement Date; and
- (c) an amount determined pursuant to Clause 3 below shall be credited to (or, as the case may be, debited from) the Reserve Account or, as applicable, the Adjusted Subordination

Amount shall be adjusted in accordance with Clause 3 below, in each case as of the Replacement Compliance Date relating to the relevant Replacements.

- 2.5 Within a reasonable period following a Replacement, Buyer shall notify Seller, the Portfolio Manager and the Rating Agency (if any) of the Subordination Adjustment Amount or, as applicable, the Reserve Account Adjustment Amount,
- 2.6 Within a reasonable period following the Replacement Date in respect of a Replacement, the Calculation Agent shall use its reasonable endeavours (taking into account the prevailing circumstances) to deliver a copy of the Reference Portfolio Annex, as amended to reflect such Replacement, to the Seller, Portfolio Manager and the Rating Agency (if any) (copied to the Principal Paying Agent and the Trustee), provided that failure so to deliver (or to copy) an amended copy of the Reference Portfolio Annex shall not in any way affect the effectiveness of such Replacement or the amendment of the Reference Portfolio.
- 2.7 The Portfolio Manager acknowledges and agrees that, in respect of any Proposed Replacements:
- (a) the Portfolio Manager shall be solely responsible for determining compliance with the Replacement Procedures and the Replacement Guidelines;
 - (b) the Buyer shall be entitled to rely on the deemed representations and warranties given under Clause 2.2(b); and
 - (c) any Proposed Replacement which becomes a Replacement under Clause 2.4 shall be an effective Replacement notwithstanding any subsequent discovery that such Replacement did not in fact comply with the Replacement Guidelines.
- 2.8 The Portfolio Manager shall be solely responsible for compliance with the Replacement Procedures and Replacement Guidelines. Buyer shall be entitled (but not obligated) to confirm whether each Replacement complies with the Replacement Procedures and Replacement Guidelines or, if not in compliance, whether such Replacement does not increase the extent of such non-compliance, and Buyer's determination and interpretation thereof shall be binding in the absence of manifest error.
- 2.9 Upon request of Buyer, the Portfolio Manager shall provide a description in reasonable detail of the data and inputs used by the Portfolio Manager and its calculations and determinations giving rise to its determination that such Proposed Replacement complies with the Replacement Guidelines including, without limitation, where the Notes are rated by S&P, compliance with Clause 4.8 (*Compliance with S&P SROC Test*).

3. Adjustments to the Subordination Amount and the Reserve Account as a consequence of Replacements and Subordination Transactions.

3.1 Replacements

If in respect of all Replacements having the same Replacement Compliance Date, there is a Trading Gain, then the Portfolio Manager shall by notice to the Buyer elect whether (a) an amount equal to such Trading Gain shall be credited to the Reserve Account or (b) the Adjusted Subordination Amount shall be increased by the relevant Subordination Adjustment Amount.

If in respect of all Replacements having the same Replacement Compliance Date there is a Trading Loss then the Portfolio Manager shall by notice to the Buyer elect whether (a) an amount equal to such Trading Loss shall be debited from the Reserve Account (the Portfolio Manager shall only be permitted to make such election if the Reserve Account Balance immediately prior to the relevant Replacement Compliance Date is greater than the relevant Trading Loss) or (b) the Adjusted Subordination Amount shall be reduced by the relevant Subordination Adjustment Amount.

For purposes hereof, an election under either paragraph (a) above shall be referred to as **Reserve Account Adjustment** and an election under either paragraph (b) above shall be referred to as **Subordination Adjustment**.

Where the Notes are rated by S&P, if the Replaced Reference Entities are not Credit Impaired Reference Entities then the right of replacement of the Portfolio Manager shall be subject to the S&P SROC Test being satisfied after taking account both the relevant Replacement(s) and such election.

3.2 Subordination Transactions

On any London Business Day the Portfolio Manager may propose by notice to Buyer's Designated Persons that the Adjusted Subordination Amount be increased or decreased by a specified percentage of the Initial Reference Portfolio Notional Amount (a **Subordination Enhancement** or **Subordination Reduction** respectively and such proposal, a **Subordination Transaction Proposal**), provided that (a) a Subordination Enhancement may only be proposed if the Reserve Account Balance on such date is greater than zero and (b) a Subordination Reduction may only be proposed if the Adjusted Subordination Amount after giving effect to such proposal would be greater than or equal to 1.5% of the Initial Reference Portfolio Notional Amount. A Subordination Enhancement shall be expressed as a positive number and a Subordination Reduction as a negative number.

The Buyer shall notify the Portfolio Manager of the Reserve Account Adjustment Amount corresponding to such Subordination Reduction or Subordination Enhancement, which shall be determined by the Buyer in its sole and absolute discretion by reference to its then current models used to calculate subordination adjustment amounts for purposes of similar transactions and which determination shall be conclusive absent manifest error (such notice, a **Subordination Transaction Information Notice**). Where a Subordination Transaction Proposal has been delivered by 5 pm Notification City Time on a London Business Day, a Subordination Transaction Information Notice shall be issued by the Buyer by 2:00 pm Notification City Time on the following London Business Day and where a Subordination Transaction Proposal has been delivered after 5:00 pm Notification City Time on a London Business Day, a Subordination Transaction Information Notice shall be issued by the Buyer by 2:00 pm Notification City Time on the second London Business Day (such date of issue of the subordination transaction information notice being the **Subordination Transaction Effective Date**).

Immediately following effective delivery of a Subordination Transaction Information Notice the Portfolio Manager shall notify Buyer whether it elects to effect the Subordination Transaction Proposal on the basis of the Subordination Transaction Information Notice. If the Portfolio Manager does so elect then the Adjusted Subordination Amount shall be adjusted by the relevant Subordination Adjustment Amount and the Reserve Account Balance shall be adjusted by the corresponding Reserve Account Adjustment Amount, in each case as of the relevant Subordination Transaction Effective Date provided that (a) in the case of a Subordination Enhancement, the Reserve Account Balance immediately prior to such Subordination Transaction being effected is greater than or equal to the relevant Reserve Account Adjustment Amount and (b) in all cases, only where the Notes are rated by S&P, the S&P SROC Test is satisfied taking into account both the Subordination Adjustment Amount and the Reserve Account Adjustment Amount (each, a **Subordination Transaction**).

In any Annual Period the Portfolio Manager shall be entitled to make only six Subordination Transaction Proposals and effect four Subordination Transactions. If the Annual Period is less than 365 days these requirements shall apply on a pro-rated basis.

4. Replacement Guidelines

4.1 Reference Portfolio Notional Amount Criteria

Immediately after giving effect to all Replacements in respect of such Replacement Compliance Date, the Reference Portfolio Notional Amount shall be the same as the Reference Portfolio Notional Amount in effect prior to giving effect to all such Replacements.

4.2 Compliance with Replacement Entity Criteria

In respect of each Replacement, the Replacement Entity shall comply with the Replacement Entity Criteria as of the Replacement Compliance Date in respect of such Replacement.

4.3 Compliance with Replaced Entity Criteria

In respect of each Replacement, the Replaced Entity shall comply with the Replaced Entity Criteria as of the Replacement Compliance Date in respect of such Replacement.

4.4 Compliance with Replacement Limit Criteria

(a) In any Annual Period the sum of the Reference Entity Notional Amounts of all Replaced Entities which are the subject of Replacements must not exceed 20% of the Reference Portfolio Notional Amount; and

(b) in any Annual Period the sum of the Reference Entity Notional Amounts of all Replaced Entities which are the subject of Proposed Replacements must not exceed 35% of the Reference Portfolio Notional Amount,

provided that a Replacement does not need to satisfy (a) or (b) above if (i) the Annual Period is less than 365 days (in which case such requirements shall apply on a pro-rated basis) or (ii) the Replaced Entity in respect of such Replacement is a Credit Impaired Reference Entity.

4.5 Portfolio Criteria

On the Replacement Compliance Date, assuming all such Proposed Replacements were deemed to be Replacements as of such day:

(a) the Industry Concentration Percentage in respect of any Industry Group shall not exceed 15%;

(b) the Western Europe Concentration Percentage shall not be less than 30% nor greater than 70%, the North American Concentration Percentage shall not be less than 30% nor greater than 70%, the Emerging Market Concentration Percentage shall not be less than 0% nor greater than 5% and the Other Jurisdiction Concentration Percentage shall not be greater than 20%;

(c) the sum of all Reference Entity Notional Amounts with respect to all Reference Entities having a Crossover Rating or High Yield Rating shall not exceed 10% of the Reference Portfolio Notional Amount and the sum of all Reference Entity Notional Amounts with respect to all High Yield Reference Entities shall not exceed 10% of the Reference Portfolio Notional Amount as of such date ; and

(d) the sum of the Brokers, Dealers & Investment houses Industry Concentration Percentage, the Financial intermediaries Industry Concentration Percentage and the Insurance Industry

Concentration Percentage shall not exceed 20% of the Reference Portfolio Notional Amount as of such day;

(collectively, the **Portfolio Criteria**).

4.6 Spread Criteria

- (a) The 5 year bid spread as determined by Buyer of the Replacement Entity shall not exceed 6.00% per annum; and
- (b) the Replacement Entity must not be an Upfront Quotation Reference Entity; (collectively, the **Spread Criteria**).

4.7 Cumulative Loss Criteria

No Proposed Replacement shall be effected if, after giving effect to all Replacements in respect of a Replacement Compliance Date, the sum of all Cash Settlement Amounts determined on or prior to such day is equal to or greater than the Loss Threshold Amount.

4.8 *Compliance with S&P SROC Test*

If the Notes are rated by S&P (as specified in the relevant PMA Confirmation), the Proposed Replacements may only be effected if:

- (a) the S&P SROC Percentage immediately following the Replacements is a positive figure greater than or equal to 100 per cent.; or
- (b) where the S&P SROC Percentage prior to such Replacements is less than 100 per cent., such Replacements do not cause the S&P SROC Percentage to be a smaller percentage,

provided that the Replacements do not need to satisfy (A) or (B) above if each of the Replaced Entities is a Credit Impaired Reference Entity.

Further, the Replacements do not need to satisfy (A) or (B) above if 100% of the Noteholders have provided notice in writing together with satisfactory documentary evidence as to their ownership of the Notes to the Trustee, the Seller, the Buyer and the Portfolio Manager to the effect that this Clause 4.8 (*Compliance with S&P SROC Test*) shall no longer need to be satisfied with respect to any Replacements.

5. **Restrictions on Replacements**

- 5.1 In respect of a Proposed Replacement, if Buyer is restricted or prohibited from trading (whether in cash or synthetically) in either the Replacement Entity or the Replaced Entity (whether by reason of any internal or external restriction or prohibition as determined by Buyer in its sole discretion), the Buyer will notify the Portfolio Manager if and to the extent that it is permitted to do so as soon as reasonably practical after becoming aware of such restriction or prohibition and no Proposed Replacement or Replacement in respect of such Replacement Entity or Replaced Entity may be effected at such time.

6. **Buyer Determinations**

- 6.1 All determinations made by the Buyer shall be in good faith and in a reasonable commercial manner.

Exhibit I: Definitions; Interpretation

1. The following terms have the following meanings:

Annual Period means the 12-month period commencing on the first day of the Replacement Period and each 12-month period thereafter commencing on an anniversary of such first day. The last Annual Period shall end on the last day of the Replacement Period.

Approved Dealers means any of:

1. JPMorgan Chase Bank, N. A.
2. Merrill Lynch International
3. Credit Suisse
4. Bear Stearns International Limited
5. Morgan Stanley Capital Services
6. Goldman Sachs International
7. Citigroup Global Markets Ltd
8. Lehman Brothers Special Financing Inc.
9. Deutsche Bank AG
10. UBS Limited
11. Bank of America NA
12. BNP Paribas
13. HSBC Bank Plc
14. ABN AMRO Bank NV
15. Fortis Bank
16. Commerzbank AG
17. CALYON
18. Dresdner Bank AG
19. Société Générale
20. Barclays Bank PLC

Asia means the People's Republic of China, the Republic of Indonesia, the Republic of Korea, Malaysia, the Republic of the Philippines, the Kingdom of Thailand and the Socialist Republic of Vietnam.

Bid Spread means, in respect of a Replacement Entity and a Replacement, the bid price specified on the Replacement Compliance Date in respect of such Replacement Entity by the Structured Credit Desk of Buyer or, as applicable, an Approved Dealer for the purchase of credit protection with respect to that Replacement Entity under a single name credit default swap, on market standard terms (as determined by the Calculation Agent), scheduled to terminate on the Scheduled Termination Date and in respect of a notional amount equal to the relevant Delta.

Credit Impaired Reference Entity means a Reference Entity which (i) the Portfolio Manager has deemed in its sole and absolute discretion to have significantly deteriorated in credit quality since the later of Effective Date and the date on which such Reference Entity was included in the Reference Portfolio, as certified by the Portfolio Manager to the Rating Agency (if any) and the Buyer (together with its reasons therefor).

Crossover Rating means in respect of a rating assigned to a Reference Entity which is rated by two or more of Moody's, S&P and Fitch, as the case may be, an Investment Grade Rating assigned to such Reference Entity from one of Moody's, S&P or Fitch and a High Yield Rating assigned to such Reference Entity from one of the remaining of Moody's, S&P or Fitch, as the case may be.

Crossover Rating Reference Entity means a Reference Entity with a Crossover Rating.

Delta means, in respect of a Replacement and the related Replaced Entity or the related Replacement Entity, a notional amount between zero and the Floating Rate Payer Calculation Amount of such Replaced Entity specified by the Structured Credit Desk of Buyer in its sole discretion on the Replacement Compliance Date in connection with such Replacement.

Designated Persons means Heikki Monkkonen or Dev Roy (tel: +44 20 7773 8273) and such other individual(s) identified from time to time by written or telephonic notice of Buyer to the Portfolio Manager. Buyer may also notify the Portfolio Manager that one or more persons are no longer Designated Persons, provided that there shall always be one Designated Person.

Effective Rating means, in respect of a Replacement Entity or Replaced Entity (the **Relevant Entity**), as the case may be, (i) if only one of S&P, Moody's or Fitch has assigned a public rating to the Relevant Entity, the unsecured and unsubordinated long-term non-domestic currency issuer credit rating (or equivalent) publicly issued by either S&P, Moody's or Fitch as applicable and (ii) if more than one of S&P, Fitch or Moody's have assigned a public rating to the Relevant Entity, the Effective Rating specified below opposite the lowest credit rating publicly assigned by S&P and/or Fitch and/or Moody's as the case may be.

If the rating of any Relevant Entity is on (i) negative watch by any of S&P, Moody's or Fitch, then the rating assigned by the relevant rating agency shall be reduced by one notch and (ii) on positive watch by any of S&P, Moody's or Fitch, then the rating assigned by the relevant rating agency shall be increased by one notch, in each case before determination of the Effective Rating.

S&P	Fitch	Moody's	Effective Rating
AAA	AAA	Aaa	AAA
AA+	AA+	Aa1	AA+
AA	AA	Aa2	AA
AA-	AA-	Aa3	AA-
A+	A+	A1	A+
A	A	A2	A
A-	A-	A3	A-
BBB+	BBB+	Baa1	BBB+
BBB	BBB	Baa2	BBB
BBB-	BBB-	Baa3	BBB-
BB+	BB+	Ba1	BB+
BB	BB	Ba2	BB
BB-	BB-	Ba3	BB-
B+	B+	B1	B+
B	B	B2	B
B-	B-	B3	B-
CCC+	CCC+	Caal	CCC+
CCC	CCC	Caa2	CCC
CCC-	CCC-	Caa3	CCC-
CC	CC	Ca	CC
C	C	C	C
D	D	D	D

Emerging Market means the Republic of Bulgaria, the Republic of Croatia, the Republic of Poland, the Republic of Romania, the Slovak Republic, the Republic of Turkey, the Arab Republic of Egypt, the State of Israel, the Lebanese Republic, the State of Qatar, the Republic of Argentina, the Federative Republic of Brazil, the Republic of Chile, the Republic of Colombia, the Republic of Costa Rica, the Republic of Ecuador, the Republic of El Salvador, the Republic of Guatemala, the

United Mexican States, the Republic of Panama, the Republic of Peru, the Oriental Republic of Uruguay, the Bolivarian Republic of Venezuela and the Republic of South Africa.

Emerging Market Concentration Percentage means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage, equal to the aggregate Floating Rate Payer Calculation Amounts of all Emerging Market Reference Entities divided by the Reference Portfolio Notional Amount.

Emerging Market Reference Entities mean Reference Entities incorporated or organised in (or political subdivisions of) any of the countries listed under Emerging Market above.

Fitch means Fitch Ratings Limited (or any successor to the ratings business thereof).

High Yield Rating means in respect of Reference Entity a rating assigned to such Reference Entity equal to or lower than Bal by Moody's or BB+ by S&P or Fitch, as the case may be.

High Yield Reference Entity means in respect of a Reference Entity:

- (a) if such Reference Entity is rated by one of Moody's, S&P or Fitch only, a Reference Entity with a High Yield Rating from Moody's, S&P or Fitch, as the case may be; and
- (b) if such Reference Entity is rated by two or more of Moody's, S&P and Fitch, a Reference Entity with a High Yield Rating from at least two of Moody's, S&P and Fitch, as the case may be.

Industry Concentration Percentage means, in respect of the Reference Portfolio as of any Replacement Compliance Date and an Industry Group, the rate expressed as a percentage as of such date, equal to the aggregate of the Floating Rate Payer Calculation Amounts of all Reference Entities in the same Industry Group *divided* by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

Industry Groups means S&P's Industry Classification Group Categories, as defined by S&P as at the Effective Date and set out in the table below, subject to any amendments as may be publicly announced by S&P from time to time and which are notified by Buyer to the Portfolio Manager:

1	Aerospace & Defence
2	Air Transport
3	Automotive
4	Beverage & Tobacco
5	Radio & Television
6	Brokers, Dealers & Investment houses
7	Building & Development
8	Business equipment & services
9	Cable & Satellite television
10	Chemicals & plastics
11	Clothing/textiles
12	Conglomerates
13	Containers & glass products
14	Cosmetics/toiletries
15	Drugs
16	Ecological services & equipment
17	Electronics/electrical
18	Equipment leasing
19	Farming/agriculture

20	Financial intermediaries
21	Food/drug retailers
22	Food products
23	Food service
24	Forest products
25	Health care
26	Home furnishings
27	Lodging & Casinos
28	Industrial equipment
29	Insurance
30	Leisure goods/activities/movies
31	Non-ferrous metals/minerals
32	Oil & gas
33	Publishing
34	Rail industries
35	Retailers (except food & drug)
36	Steel
37	Surface transport
38	Telecommunications
39	Utilities

Initial Reserve Account Balance means zero.

Investment Grade Rating means in respect of a Reference Entity a rating assigned to such Reference Entity equal to or better than Baa3 by Moody's or BBB- by S&P or Fitch, as the case may be.

Loss Threshold Amount means 3% of the Initial Reference Portfolio Notional Amount.

Moody's means Moody's Investors Service Limited (or any successor to the ratings business thereof).

North America means the United States of America, Canada and Bermuda.

North American Concentration Percentage means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage, equal to the aggregate of the Floating Rate Payer Calculation Amounts of all North American Reference Entities *divided* by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

North American Reference Entities mean Reference Entities incorporated or organised in (or political subdivisions of) North America.

Notification Business Day means a day on which Buyer receives a Replacement Notice from the Portfolio Manager; provided, however, that if such day falls on a day which is not a London Business Day then the Notification Business Day shall be the next following London Business Day.

Notification City means London.

Offer Spread means, in respect of a Replaced Entity and a Replacement, the offer price specified on the Replacement Compliance Date in respect of such Replaced Entity by the Structured Credit Desk of Buyer or, as applicable, an Approved Dealer, for the sale of credit protection with respect to that Replaced Entity under a single name credit default swap, on market standard terms (as determined by the Calculation Agent), scheduled to terminate on the Scheduled Termination Date and in respect of a notional amount equal to the relevant Delta.

Other Jurisdiction Concentration Percentage means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage equal to the aggregate of the Floating Rate Payer Calculation Amounts of all Reference Entities which are not North American Reference Entities or Western European Reference Entities *divided by* the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

Rating Agency means S&P and/or Moody's and/or Fitch as applicable.

Reference Portfolio Notional Amount means, on any day, the sum of all Reference Entity Notional Amounts as of such date *less*, with respect to all Reference Entities as to which an Event Determination Date has occurred on or prior to such day, the aggregate of the Reference Entity Notional Amounts for such Reference Entities.

Replaced Entity Criteria means, in respect of a Replaced Entity and a Replacement, that, unless otherwise agreed by Buyer, such Replaced Entity:

- (a) is not the subject of a Credit Event or a Potential Failure to Pay or a Potential Repudiation/Moratorium; and
- (b) is not the subject of a default, event of default or other similar condition or event (however described) or event or condition which (with the giving of notice or the lapse of time or both) would constitute a default, event of default or other similar condition or event (however described) under its obligations for Borrowed Money.

Replacement Business Day means, in respect of a Replacement, a Business Day in each of (a) London and New York and (b) if the Transaction Type relating to the relevant Replaced Entity and/or Replacement Entity is:

- (i) Australian Corporate, Sydney;
- (ii) New Zealand Corporate, Auckland;
- (iii) Japanese Corporate or Japanese Sovereign, Tokyo; and
- (iv) Singapore Corporate, Singapore.

Replacement Date means, in respect of a Proposed Replacement, the first Replacement Business Day immediately following the Replacement Compliance Date in respect of such Proposed Replacement, unless otherwise designated by Buyer to the Portfolio Manager in telephonic or written notice.

Replacement Entity Criteria means, in respect of a Replacement Entity and the relevant Replacement, that such Replacement Entity:

- (a) has an Effective Rating of at least BB-;
- (b) is (i) within one of the Industry Groups and (ii) a Reference Entity actively traded in the credit default swap market in a size and a tenor that Buyer deems sufficient in its sole and absolute discretion to effect any hedging transaction in respect of such Reference Entity;
- (c) is not, in the opinion of the Portfolio Manager, acting as a reasonably competent investment manager, the subject of a Credit Event or a Potential Failure to Pay or a Potential Repudiation/Moratorium, to be determined as if such entity were a Reference Entity;

- (d) is not, in the opinion of the Portfolio Manager, acting as a reasonably competent investment manager, the subject of a default, event of default or other similar condition or event (however described) or event or condition which (with the giving of notice or the lapse of time or both) would constitute a default, event of default or other similar condition or event (however described) under its obligations for Borrowed Money;
- (e) is not a special purpose entity (however formed, whether as a corporation, trust, partnership or otherwise) or an issuer of asset backed securities as determined by Buyer in each case unless otherwise agreed in writing by the Portfolio Manager, Buyer and any applicable Rating Agency;
- (f) is not the Portfolio Manager or an Affiliate of the Portfolio Manager is not the Buyer or an Affiliate of the Buyer and is not a Reference Entity or an Affiliate of any Reference Entity; and
- (g) is not incorporated or organised in the Russian Federation.

Replacement Period means the period beginning on and including the Effective Date and ending on and including the date that is 6 calendar months before the Scheduled Termination Date.

Replacement Procedures means the procedures set out in Clause 2 hereof (Replacement Procedures).

Replacement Guidelines means the procedures set out in Clause 4 hereof (Replacement Guidelines).

Reserve Account means a notional account established by Buyer to which and from which Reserve Account Adjustment Amounts shall be credited and/or debited in accordance with the provisions of the Master PMA and/or the Swap Agreement, as the case may be, including interest which shall accrue on the daily closing Reserve Account Balance at the Reserve Account Balance Interest Rate.

Reserve Account Adjustment Amount means, in respect of:

- (a) one or more Replacements having the same Replacement Compliance Date for which there is a Trading Gain or Trading Loss and in relation to which the Portfolio Manager elects that Reserve Adjustment shall apply, the amount of such Trading Gain or Trading Loss;
- (b) the determination of a Cash Settlement Amount, any reduction thereto by a related Loss Adjustment Amount in accordance with Section 1 of the CDS Confirmation;
- (c) any payment of an Interim Payment, 20 per cent. of the Reserve Account Balance as of the Portfolio Manager Cessation Date pursuant to the Portfolio Management Agreement; and
- (d) a Subordination Transaction, the amount specified by Buyer in the Subordination Transaction Information Notice relating thereto;

Reserve Account Balance means on any day, an amount in the Settlement Currency as defined in the CDS Confirmation (subject to a minimum of zero), determined by the Buyer as the Initial Reserve Account Balance together with the Reserve Account Interest, subject to increases or reductions by any Reserve Account Adjustment Amounts on or prior to such day.

Reserve Account Balance Interest Rate means, the Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Reserve Account Balance.

Reserve Account Interest means on any day the interest accrued in respect of the closing Reserve Account Balance at the Reserve Account Balance Interest Rate.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc (or any successor to the ratings business thereof).

Sovereign means, when referred to in the Transaction Type Annex or in respect of a Transaction Type, any or all of Asian Sovereign, Emerging Market Sovereign, Japanese Sovereign and Western European Sovereign.

Structured Credit Desk means the structured credit derivatives desk of Buyer located in London (or such other place identified by Buyer).

S&P CDO Evaluator Model means the latest applicable dynamic, analytical computer model provided by S&P to Buyer for the purpose of estimating the default risk of the Reference Portfolio, as amended, supplemented or revised from time to time by S&P.

S&P Rating means, with respect to any Reference Entity, the unsecured and unsubordinated long-term non-domestic currency issuer credit rating (or equivalent) publicly issued by S&P.

S&P SROC Percentage means, at any time, an amount (expressed as a percentage) equal to:

$$\left(\frac{A - (AB)}{A - (D + E)} \right)$$

where:

A = the Reference Portfolio Notional Amount;

B = the S&P Scenario Loss Rate as calculated by the S&P CDO Evaluator Model; and

D = the greater of (a) the Adjusted Subordination Amount minus the Loss Amount and (b) zero.

E = 80 per cent. of the Reserve Account Balance.

S&P Scenario Loss Rate means, as of any date, an estimate of the cumulative loss rate, given the initial rating scenario, for the Reference Entities comprised in the Reference Portfolio and as amended from time to time, determined by application of the S&P CDO Evaluator Model at such time.

Subordination Adjustment Amount means:

- (a) in respect of one or more Replacements having the same Replacement Compliance Date for which there is a Trading Gain or a Trading Loss and in respect of which the Portfolio Manager elects that Subordination Adjustment shall apply, the amount (determined by Buyer in its sole discretion by reference to its then current models used to calculate subordination adjustment amounts for purposes of similar transactions, and which determination shall be conclusive absent manifest error), which may be positive or negative, by which the relevant Adjusted Subordination Amount would need to be altered so that the value of the Transaction to Buyer immediately before giving effect to such Replacements is equal to the value of the Transaction to Buyer immediately after giving effect to such Replacements; and

- (b) in respect of a Subordination Transaction, the Subordination Enhancement or, as the case may be, the Subordination Reduction, specified in the related Subordination Transaction Proposal.

Trading Gain means in respect of any Replacements having the same Replacement Compliance Date, the positive mark-to-market change for Buyer resulting from such Replacements, as determined by Buyer in its sole discretion by reference to the Bid Spreads, Offer Spreads and the Deltas in relation to such Replacements, without, for such purpose, taking into account any Reserve Account Adjustment Amount or Subordination Adjustment Amount in respect of the relevant Replacement.

Trading Loss means in respect of any Replacements having the same Replacement Compliance Date, the negative mark-to-market change for Buyer resulting from such Replacements, as determined by Buyer in its sole discretion by reference to the Bid Spreads, Offer Spreads and the Deltas in relation to such Replacements, without, for such purpose, taking into account any Reserve Account Adjustment Amount or Subordination Adjustment Amount in respect of the relevant Replacements.

Upfront Quotation Reference Entity means an entity for which quotations in respect of a credit default swap transaction with the relevant characteristics required at the time of a Replacement are available on an only on the basis that the protection buyer pays an upfront amount (in addition to or in substitution for the payment of periodic amounts).

Western Europe means the Republic of Austria, the Kingdom of Belgium, the Kingdom of Denmark, the Republic of Finland, the Republic of France, the Federal Republic of Germany, the Hellenic Republic, the Republic of Ireland, the Republic of Italy, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands, the Republic of Portugal, the Kingdom of Spain, the Kingdom of Sweden, the confederation of Switzerland and the United Kingdom of Great Britain and Northern Ireland.

Western Europe Concentration Percentage means, in respect of the Reference Portfolio as of any Replacement Compliance Date, the rate expressed as a percentage as of such date, equal to the aggregate of the Floating Rate Payer Calculation Amounts of all Western European Reference Entities *divided* by the Reference Portfolio Notional Amount as of such Replacement Compliance Date.

Western European Reference Entities mean Reference Entities incorporated or organised in (or political subdivisions of) Western Europe.

2. Interpretation:

References in the Replacement Procedures and Replacement Guidelines and/or in this Exhibit I to a "Clause" shall mean the relevant Clause herein unless otherwise specified. The interpretation and construction of any defined terms or provisions used in the Confirmation or the annexes shall be made by Buyer and any conflict or ambiguity in or among such terms or provisions and any inferences that may be required to be made in order to give effect to the terms used in the Confirmation and/or the annexes shall be made and/or resolved by Buyer in good faith and any such determination or resolution by it shall be binding absent manifest error.

TAX CONSIDERATIONS

Prospective investors should consult their own tax advisors on the possible tax consequences of the purchase, ownership and disposition of the Notes under the laws of their country of citizenship, residence or domicile.

Investors should consult their own tax advisors regarding whether the purchase of the Notes, either alone or in conjunction with an investor's other activities, may subject a holder to any state or local taxes based, for example, on an assertion that the investor is either "doing business" in, or deriving income from a source located in, any state or local jurisdiction. Additionally, potential investors should consider the state, local and other tax consequences of purchasing, owning or disposing of a Note. State and local tax laws may differ substantially from the corresponding federal tax law, and the foregoing discussion does not purport to describe any aspect of the tax laws of any state or other jurisdiction.

Each Noteholder will assume and be solely responsible for any and all taxes, stamp taxes, duties or levies of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by any Paying Agent.

SUBSCRIPTION AND SALE

General

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any part thereof or any other offering material or this Prospectus, in any country or jurisdiction where action for that purpose is required.

The Arranger will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus or any part thereof, any other offering material or this Prospectus in all cases at its own expense unless otherwise agreed and neither the Issuer nor any other Arranger shall have responsibility therefor.

United States

The Notes have not been and will not be registered under the Securities Act. Consequently, the Notes may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act).

United Kingdom

The Arranger has agreed that:

- (A) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (B) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Arranger has represented and agreed, and each further Arranger appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Republic of Ireland

The Arranger has agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof 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 Irish Central Bank Acts 1942 - 1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof; and
- (c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Irish Financial Services Regulatory Authority pursuant thereto.

INFORMATION CONCERNING BARCLAYS BANK PLC

Barclays (as defined below) accepts sole responsibility for the following information. None of the Issuer, the Trustee, the Portfolio Manager or any of the other Programme Parties (other than Barclays) has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into Barclays and the Group (each, as defined below).

Barclays Bank PLC (**Barclays**) and its subsidiary undertakings (taken together, the **Group**) is a United Kingdom based financial services group engaged primarily in banking, investment banking and investment management. In terms of assets employed, it is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world and is a leading provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres.

Barclays, in its capacity as Swap Counterparty, is acting through its office at 5 The North Colonnade, Canary Wharf, London, E14 4BB. Barclays was incorporated under the laws of England and Wales and certain of its debt securities are listed on the London Stock Exchange.

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. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "Group") is 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 and one of the largest financial services companies in the world by market capitalisation.

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

Based on the Group's unaudited financial information for the period ended 30 June 2006, the Group had total assets of £986,375 million (2005: £850,388 million), total net loans and advances¹ of £317,427 million (2005: £272,348 million), total deposits² of £339,421 million (2005: £302,253 million), and total shareholders' equity of £25,790 million (2005: £22,050 million) (including minority interests of £1,608 million (2005: £200 million)). The profit before tax of the Group for the period ended 30 June 2006 was £3,700 million (2005: £2,690 million) after impairment charges on loans and advances and other credit provisions of £1,057 million (2005: £706 million). The financial information in this paragraph is extracted from the unaudited consolidated accounts of the Group for the half-year ended 30 June 2006.

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.

INFORMATION CONCERNING JPMORGAN CHASE BANK, N.A.

JPMorgan Chase Bank, N.A. accepts sole responsibility for the following information. None of the Issuer, the Arranger, the Trustee, the Swap Counterparty, the Portfolio Manager or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into JPMorgan Chase Bank, N.A.

JPMorgan Chase Bank, National Association (**JPMCB**) is a wholly owned bank subsidiary of JPMorgan Chase & Co. ("**JPMorgan Chase**"), a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of 31 December 2005, JPMorgan Chase Bank, National Association, had total assets of \$1,014.0 billion, total net loans of \$390.9 billion, total deposits of \$552.6 billion, and total stockholder's equity of \$86.4 billion. These figures are extracted from JPMCB's unaudited Consolidated Reports of Condition and Income as at 31 December 2005, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended 31 December 2005, of JPMorgan Chase & Co., the 2005 Annual Report of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed or furnished with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

JPMorgan Chase entered into an agreement with The Bank of New York Company, Inc. (**BNY**) pursuant to which JPMorgan Chase exchanged select portions of its corporate trust business, including municipal, corporate and structured finance trusteeships and agency appointments, for BNY's consumer, small-business and middle-market banking businesses. This transaction was approved by both companies' boards of directors and was completed on 1 October 2006.

The information contained in this official statement relates to and has been obtained from JPMCB. The delivery of this official statement shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this official statement is correct as of any time subsequent to its date.

INFORMATION CONCERNING-BNY CORPORATE TRUSTEE SERVICES LIMITED

BNY Corporate Trustee Services Limited (formerly known as J.P. Morgan Corporate Trustee Services Limited) accepts sole responsibility for the following information. None of the Issuer, the Arranger, the Swap Counterparty, the Investment Manager or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into BNY Corporate Trustee Services Limited.

On 2 October 2006, J.P. Morgan Corporate Trustee Services Limited changed its name to BNY Corporate Trustee Services Limited and will shortly become a wholly-owned subsidiary of BNY Corporate Holdings (UK) Limited. This in turn is a wholly-owned subsidiary undertaking of BNY International Financing Corporation which is in turn a wholly-owned subsidiary of The Bank of New York.

BNY Corporate Trustee Services Limited is a trust corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

BNY Corporate Trustee Services Limited's registered office and principal place of business is at One Canada Square, London E14 5AL.

The Bank of New York is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at One Wall Street, New York, NY 10286, USA and a branch registered in England and Wales with FC No. 005522 and BR No. 000818 with its principal office in the United Kingdom situate at One Canada Square, London E14 5AL.

The Bank of New York (the **Bank**) is a leading provider of corporate trust and agency services. The Bank and its subsidiaries and affiliates administer a portfolio of more than 90,000 trustee and agency appointments, representing \$3 trillion in outstanding securities for more than 30,000 clients around the world. The Bank is a recognized leader for trust services in several debt products, including corporate and municipal debt, mortgage-backed and asset-backed securities, derivative securities services and international debt offerings.

The information contained in this official statement relates to and has been obtained from BNY Corporate Trustee Services Limited. The delivery of this official statement shall not create any implication that there has been no change in the affairs of BNY Corporate Trustee Services Limited since the date hereof, or that the information contained or referred to in this official statement is correct as of any time subsequent to its date.

INFORMATION CONCERNING THE PORTFOLIO MANAGER

New Bond Street Asset Management LLP (NBSAM or the Portfolio Manager) accepts sole responsibility for the following information. None of the Arranger, the Issuer, the Trustee, or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into NBSAM.

New Bond Street Asset Management LLP, is a specialised credit portfolio manager. The Portfolio Manager was established in May 2004 by 8 individual partners and a corporate partner, Kaupthing Bank. The Portfolio Manager currently has in excess of €6.25 billion of assets under advisory management of which approximately €1.75 billion is on a delta-weighted basis. NBSAM offers three fund management platforms: private managed accounts, open-end funds and closed-end funds (CDO management). The Managing Partner, Zoë Shaw, was previously Head of the Debt Finance Division of Bankgesellschaft Berlin (**Bankgesellschaft**) where she had responsibility for a €33 billion investment grade credit portfolio comprised of corporate, asset backed securities, sovereign and financial institution instruments. Her team was also responsible for one public and six private synthetic CDOs and two off balance sheet arbitrage conduit programmes. The 8 individual partners of the Portfolio Manager have an extensive track record in the credit markets and their combined experience of more than 150 years includes trading, structuring and investment selection across all major sectors of the credit markets. NBSAM is authorised and regulated by the UK Financial Services Authority. The details of the partners of the Portfolio Manager are set out below.

Zoë Shaw, Managing Partner & CEO. Ms Shaw has wide experience in establishing and managing credit businesses and 24 years in investment banking and fund management. In 1995 she established Bankgesellschaft's Debt Finance Division which she successfully managed until 2003 when she left to establish the Portfolio Manager. During her tenure at Bankgesellschaft she assumed the additional role of Branch Manager in London in 2002 and was also responsible for the Credit and Legal functions. She introduced portfolio management as a key discipline into Debt Finance and subsequently other divisions of the Group. Previously she established WestLB's securitisation and syndicated lending business in London. Her product expertise encompasses asset origination, the structuring of CP conduits, cash and synthetic CDOs, credit derivatives, primary and secondary distribution for loans and funding through securitisation and the capital markets. She has an MA from Cambridge University.

Jorgen Mandal, Partner & Senior Portfolio Manager – Structured Corporate, FIs and Sovereign Credits. Mr Mandal has 20 years experience in the Fixed Income and Investment Banking markets both in deal origination and cash and synthetic asset management. As a Director in the Capital Markets Division of Debt Finance at Bankgesellschaft, Mr Mandal was responsible for all business origination in the Nordic, South African and North American markets. He built an investment grade portfolio through asset swaps, FRN's and loans and developed tailor made portfolio solutions for clients using synthetic credit products. He has significant sell side experience developed at IBJ Group, London and the First National Bank of Chicago, Stockholm, Chicago and London. Mr Mandal has a degree in Business Administration (Civil Ekonom) from Stockholm School of Economics.

Paolo Manca, Partner & Senior Portfolio Manager – Structured Corporate, FIs and Sovereign Credits. Mr Manca has 18 years' experience in the fixed income and credit derivatives markets. From 2000 to 2004 he was a Director of Bankgesellschaft's Debt Finance Division, acting as a specialist marketer and structurer of credit derivatives, responsible for arranging client CDOs as well as the operation and legal administration of the structured credit portfolio. His previous roles were Head of Marketing for Swaps and Derivatives at San Paolo Bank and 9 years in the Fixed Income and Derivatives Division of SBC Warburg (now UBS). He has a BSc in Economics from the London School of Economics.

Emad Shaer, Partner & Senior Portfolio Manager – Structured Corporate, FIs and Sovereign Credits. Mr Shaer has 15 years experience in the fixed income and derivatives markets. Prior to joining the Portfolio Manager he was responsible for running the asset swap books for both liquid and illiquid bank, sovereign

and corporate exposures and the market making function in iTraxx and iShares at Dresdner Kleinwort Wasserstein. He has extensive experience in creating and trading structured assets using primary and secondary debt and the derivative markets. His previous roles included Director with Tokyo Mitsubishi International, where he worked on both the illiquid asset swap book and established a derivative marketing desk, a member of Kidder Peabody's MTN desk; and part of Sumitomo Bank's capital markets coverage team for Scandinavia. Mr Shaer has a BSc in Electronic Engineering from Leeds University and an MBA in Finance from City University, London.

Sean McCarthy, Partner & Senior Portfolio Manager – Asset-Backed Securities. Mr McCarthy was most recently a Director in Bankgesellschaft's Asset Backed Team in the Debt Finance Division. He was instrumental in the structuring and distribution of the €2.2 billion Rhea CDO1 PLC transaction and has 20 years of banking experience with over 16 years dedicated to the ABS universe encompassing private placements of CDOs of ABS, trade receivables securitisation and the structuring of asset backed commercial paper conduits. Prior experience includes managing WestLB's ABS investment book and a position in the Treasury Department of a major UK centralised mortgage lender. He has also arranged securitisations of mortgages, consumer loans and hire purchase receivables. Mr McCarthy has an MBA from Kingston University Business School and has passed the ACIB banking qualification Kingston University Business School and has passed the ACIB banking qualification.

Harald Berlinicke, CFA, Partner & Senior Portfolio Manager – Asset-Backed Securities. Mr Berlinicke has been in the banking industry since 1991 and a securitisation investment specialist for over 8 years, during which time he has been involved in originating and held responsibility for managing portfolios of approximately USD 12 billion of ABS/CDO investments (including more than 200 CDO investments from over 100 managers, totalling USD 7 billion) as well as distributing structured credit products into German-speaking Europe. He has extensive experience of sourcing and analysing both cash and synthetic investments as well as the monitoring, trading and hedging of existing holdings. Most recently Vice President & Director, Credit Product Sales at TD Securities, London, he was previously at Bankgesellschaft Berlin (based in London & Berlin) for 5 years where he was Director and Head of ABS/CDO Investments. Previously he was at Dresdner Bank in London, Berlin and New York as well as BV Capital Markets, Inc. (now: Hypovereinsbank of the Americas) in New York where he worked in various roles in equity analysis, securities advisory, M&A and project finance. He is a CFA charterholder and has a Diplom-Kaufmann (FH) and BA (Hons) in European Business Administration from Fachhochschule fuer Wirtschaft, Berlin/Germany and Anglia Polytechnic University, Cambridge/UK.

Kate Thurman, Partner & Chief Credit Officer. Ms Thurman has over 25 years credit experience in the Debt Capital Markets and wholesale banking spanning all industry sectors. Her experience covers Europe, the US and less developed markets. Prior to joining the Portfolio Manager, Ms Thurman was a Director of Dresdner Kleinwort Wasserstein Limited, London (DKW) for eight years where she played a key role in the integration and augmentation of Dresdner's and the former Kleinwort Benson's corporate bond businesses. She established a credit research function for DKW building a team of 22 analysts to service the new euro fixed income environment, which was critical in securing DKW's market position, reputation and branding. Ms Thurman's team achieved notable successes in Euromoney, Credit Magazine and other investor surveys. Previously, Ms Thurman was a founding member and Head of Credit Research at Luthy, Baillie, Dowsett, Pethick and Co a Eurobond dealer focusing on credit intensive transactions and less liquid markets. Prior roles include Head of Credit at British and Commonwealth Merchant Bank. She is ACIB qualified.

Peter Rosemann, Partner & Chief Operating Officer. With 15 years in the banking industry, Mr Rosemann has extensive experience of developing IT and Risk solutions to enhance risk and portfolio management and managing an operational environment to achieve industry best practice. Mr Rosemann has an IT consulting background with broad experience of implementing trading, operational and risk systems for credit instruments and all of the products managed by the Portfolio Manager. Previously he worked 10 years at Bankgesellschaft as Director, Head of the Product Support and Development Unit and latterly the Chief Operating and Chief Financial Officer for the Debt Finance Division. Mr Rosemann has a

Dipl.Inform. (MSc in Computer Science with Business Administration) from the Technical University of Berlin.

GENERAL INFORMATION

7. Interests of Natural and Legal Persons Involved in the Issue

Save as discussed in "Risk Factors – Conflicts of Interest" in the Base Prospectus and in this document, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

8. Reasons for the Issue and Estimated Total Expenses

Reasons for the Issue: The net proceeds of the issue of the Notes will be used by the Issuer on the Issue Date to satisfy its initial payment obligation under the Charged Agreement.

Estimated Total Expenses for Listing: EUR 3332.40

9. Yield

Details of the interest payable under the Notes are set out in Paragraph 12 of "Conditions of the Notes" above. Details of historic EURIBOR/LIBOR rates can be obtained from Telerate.

10. Resolutions, Authorisations and Approvals by virtue of which the Notes have been Issued

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 17 October 2006.

11. Cash Flow and Flow of Funds

Payments received by the Issuer pursuant to the Charged Agreement are applied as follows:

- (a) the Buyer Initial Expense Amount and the Buyer Additional Expense Amount (each as defined in the Charged Agreement) will be credited to the Issuer General Expense Accounts of the Issuer held with JPMorgan Chase Bank, N.A., London Branch denominated in pounds sterling, U.S. dollars and euro, respectively. Funds credited to the Issuer General Expense Accounts of the Issuer may be transferred to the Issuer Series Expense Accounts of the Issuer (if any); and
- (b) each Buyer Payment Amount, the Adjusted Notional Amount and any Interest Shortfall Amount (each as defined in the Charged Agreement) will be paid to the Issuer for payment to the Noteholders by the Paying Agent in respect of amounts due in respect of the Notes or, as the case may be, to the Portfolio Manager.

12. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the Issuer's financial position or profitability in the context of the offering of the Notes.

13. Post-Issuance Reporting

The Issuer does not intend to provide post-issuance information.

ANNEX 1

FORM OF CREDIT DEFAULT SWAP CONFIRMATION

Date: 17 October 2006

To: XELO II Public Limited Company (the **Issuer**)

From: Barclays Bank PLC

Re: Tranched Portfolio Credit Swap Transaction

The purpose of this communication, including Annex I (the **Reference Portfolio Annex**), Annex II (the **Transaction Type Annex**) and any exhibits hereto (together, this **Confirmation**), is to confirm the terms and conditions of the Credit Derivative Transaction entered into between the parties on the Trade Date specified below (the **Transaction**). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as supplemented by (i) the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and (ii) in respect of a Reference Entity the Transaction Type of which is specified as North American Monoline in the Reference Portfolio Annex, the "Additional Provisions for Physically Settled Default Swaps - Monoline Insurer as Reference Entity" published on 21 January 2005 (collectively, the **Credit Derivatives Definitions**), each as published by the International Swaps and Derivatives Association, Inc. (**ISDA**), are incorporated into this Confirmation, as amended herein. In the event of any inconsistency between the Credit Derivatives Definitions and this Confirmation, this Confirmation shall govern.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of 17 October 2006, as amended and supplemented from time to time (the **Agreement**), entered into by the parties by their execution of the Constituting Instrument dated 17 October 2006 (the **Constituting Instrument**), by and among the persons thereto for purposes of constituting the Series 2006 (Piccadilly 2) EUR 14,043,000 Secured Limited Recourse Credit-Linked Notes due 2016 (the **Notes**) of the Issuer under its US\$ 5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the **Programme**). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. All terms defined in the Agreement and not otherwise defined herein shall have the meanings assigned in the Agreement. References to **Notes**, a **Condition** in respect of the Notes and any other capitalised term that is used but not defined herein, the Agreement or the Credit Derivatives Definitions shall have the respective meanings ascribed thereto in the Constituting Instrument.

This Confirmation relates to a portfolio of Reference Entities (the **Reference Portfolio**). The Reference Portfolio is subject to any Replacements in accordance with the provisions of the Portfolio Management Agreement. The Settlement Terms shall apply to each Reference Entity following a Credit Event. Accordingly, there may be multiple Cash Settlement Dates and multiple adjustments of the Adjusted Notional Amount under this Confirmation. The Credit Derivatives Definitions (particularly, the definition of Termination Date) shall be read and construed so as to permit the foregoing.

The terms of this Transaction to which this Confirmation relates are as follows:

PART I

Trade Date: 26 September 2006

Effective Date: 27 September 2006

Scheduled Termination Date:	20 December 2016
Buyer Period End Dates:	20th of each March, June, September and December, commencing on 20th December 2006 up to and including the earlier of the Scheduled Termination Date and the Cash Settlement Date on which the Adjusted Notional Amount is determined to have been irrevocably reduced to zero
Issue Price:	100 per cent.
Initial Notional Amount:	EUR 14,043,000
Number of Reference Entities:	100, of equal weighting, subject to successor provisions
Attachment Point:	5.65 per cent.
Detachment Point:	7.15 per cent.
Spread:	3.74 per cent.
Floating Rate Option:	EUR-EURIBOR-Telerate (as defined in the 2000 ISDA Definitions (the 2000 Definitions))
Designated Maturity:	Three months; <i>provided</i> that Linear Interpolation (as defined in the 2000 Definitions) shall apply in respect of the Buyer Calculation Period commencing on and including the Effective Date (if such Buyer Calculation Period is not three months in length) and the Buyer Calculation Period ending on but excluding the Scheduled Termination Date (if such Buyer Calculation Period is not three months in length)
Buyer Initial Expense Amount:	The sum of USD 3,750 and EUR 14,900
Buyer Additional Expense Amount:	The sum of USD 2,250 and EUR 1,000, however to the extent that the Issuer incurs custody expenses in connection with the Notes, for whatever reason, the Buyer Additional Expense Amount will be EUR 2,300

PART II

1. General Terms

Termination Date:	The earlier of (i) the Cash Settlement Date on which the Adjusted Notional Amount is determined to be zero and (ii) the later of (a) the Scheduled Termination Date and (b) the Deferred Settlement Date
Floating Rate Payer:	Issuer (Seller)
Fixed Rate Payer:	Barclays Bank PLC (Buyer)
Calculation Agent:	Barclays Bank PLC
Calculation Agent City:	London, except that New York will be the Calculation Agent City in respect of a Reference Entity the Transaction Type of which is specified as North American IG, North American HY or North American Monoline in the Reference Portfolio Annex

Business Days: London, New York and, if the Initial Notional Amount is denominated in EUR, TARGET

Business Day Convention: Following (which, subject to Sections 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day)

Reference Entities: Each entity specified as a "Reference Entity" in the Reference Portfolio Annex, as amended from time to time in accordance with Section 6(B) of this Confirmation, subject to Replacements from time to time in accordance with the provisions of the Portfolio Management Agreement

Portfolio Manager: New Bond Street Asset Management LLP

Portfolio Management Agreement: The portfolio management agreement entered into in respect of the Notes on or prior to the Issue Date between, *inter alios*, the Issuer, the Portfolio Manager and the Buyer and comprising the Master Portfolio Management Agreement dated 17 October 2006 and the Appointment Letter dated 17 October 2006

Transaction Type: In respect of a Reference Entity, the type of transaction specified in the Reference Portfolio Annex in respect of such Reference Entity. Buyer shall determine the Transaction Type of any Successor or Replacement Entity in its sole and absolute discretion

Any Transaction Type that is not referenced in the Reference Portfolio Annex shall have no force and effect notwithstanding its reference in the Transaction Type Annex.

Reference Obligations: In respect of a Reference Entity, (a) each reference to "Reference Obligation" in Section 4 of this Confirmation and Article VII of the Credit Derivatives Definitions shall mean an obligation of the relevant Reference Entity selected by Buyer and satisfying the definition of Deliverable Obligation in accordance with Section 2.15 of the Credit Derivatives Definitions, for which purpose the Deliverable Obligation Category and Deliverable Obligation Characteristics specified below shall apply; and (b) each other reference to "Reference Obligation" (including the reference appearing in Section 2.15(b) of the Credit Derivatives Definitions) shall mean the relevant Specified Reference Obligation, if any.

Buyer may, in its sole discretion, select the Reference Obligation in respect of a Reference Entity at any time on or before the Valuation Date for such Reference Entity and, upon such selection, shall deliver a notice (which may be oral, including by telephone) specifying such Reference Obligation to Seller; *provided*, that failure to deliver such notice shall not affect the effectiveness of such selection. For the avoidance of doubt, subject to Sections 2.32(a) and 2.33(a) of the Credit Derivatives Definitions, Buyer may in accordance with the foregoing select the Specified Reference Obligation with respect to a Reference Entity (if any) as the Reference Obligation for purposes of paragraph (a) above.

Deliverable Obligations:

Deliverable Obligation Category:	In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex
Deliverable Obligation Characteristics:	In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex
Specified Reference Obligation:	In respect of a Reference Entity, the "Specified Reference Obligation" specified in respect of such Reference Entity in the Reference Portfolio Annex or as determined in accordance with the Portfolio Management Agreement
Reference Price:	With respect to each Reference Entity, 100%
All Guarantees:	In respect of a Reference Entity, as specified in respect of the Transaction Type applicable to such Reference Entity in the Transaction Type Annex
Initial Reference Portfolio Notional Amount:	The Initial Notional Amount <i>divided by</i> the Thickness
Thickness:	An amount equal to the Detachment Point <i>minus</i> the Attachment Point.
Reference Entity Notional Amount:	In respect of a Reference Entity, as of the Effective Date, the Initial Reference Portfolio Notional Amount <i>divided by</i> the Number of the Reference Entities and after the Effective Date, subject to adjustment as provided in Section 2.2 of the Credit Derivatives Definition, as modified in Section 7 of this Confirmation
Adjusted Notional Amount:	<p>On any day, an amount in the Settlement Currency (subject to a minimum of zero and a maximum of the Initial Notional Amount), determined by the Calculation Agent as follows:</p> <p>(i) the Initial Notional Amount;</p> <p><i>minus</i></p> <p>(ii) the greater of (a) the Loss Amount <i>minus</i> the Adjusted Subordination Amount and (b) zero,</p> <p><i>provided that</i>, the Adjusted Notional Amount shall be further reduced by any amount paid on or prior to such day under clause (i) of "Buyer Payments – Final Payment" in Section 2 of this Confirmation</p>
Loss Amount:	<p>On any day, the sum of:</p> <p>(i) with respect to all Reference Entities as to which an Event Determination Date has occurred on or prior to such day, but the related Cash Settlement Date has not occurred on or prior to such day, the aggregate of the Reference Entity Notional Amounts for such Reference Entities <i>plus</i></p> <p>(ii) with respect to all Reference Entities the Cash Settlement Date for which has occurred on or prior to such day, the aggregate of the Cash Settlement Amounts for such Reference Entities <i>plus</i></p>

- (iii) with respect to all Reference Entities which have been specified in an Extension Notice that is effective on or prior to such day and in respect of which an Event Determination Date has not occurred, the aggregate of the Reference Entity Notional Amounts for such Reference Entities *minus*
- (iv) if such day occurs after the Extension Date, with respect to all Reference Entities specified in an Extension Notice but with respect to which an Event Determination Date did not occur on or prior to the Extension Date, the aggregate of the Reference Entity Notional Amounts for such Reference Entities *minus*
- (v) with respect to all Cash Settlement Dates which have occurred on or prior to such day, the aggregate of all Loss Adjustment Amounts relating thereto.

Loss Adjustment Amount: With respect to each Cash Settlement Date, an amount equal to the lesser of:

- (i) the Reserve Account Balance immediately preceding the Cash Settlement Date; and
- (ii) an amount equal to:
 - (A) the Adjusted Notional Amount on such Cash Settlement Date assuming a Cash Settlement Amount of zero for the purposes of determining the Loss Amount with respect to all Reference Entities to which such Cash Settlement Date relates *minus*
 - (B) the Adjusted Notional Amount on such Cash Settlement Date taking into account the actual Cash Settlement Amounts with respect to all Reference Entities to which such Cash Settlement Date relates.

For the avoidance of doubt, for the purposes of determining the Adjusted Notional Amount in respect of (A) and (B) above, the Loss Adjustment Amount in respect of such Cash Settlement Date shall be deemed to be zero.

Adjusted Subordination Amount: On any day, an amount in the Settlement Currency (subject to a minimum of zero), determined by the Calculation Agent as follows:

- (i) the Initial Subordination Amount; *plus*
- (ii) the sum of all Subordination Adjustment Amounts in respect of all Replacements for which the Replacement Dates have occurred on or prior to such day, as determined in accordance with the provisions of the Portfolio Management Agreement; *plus*
- (iii) the sum of all Subordination Adjustment Amounts in respect of all Subordination Transactions for which the Subordination Transaction Effective Dates have occurred on or prior to such day, as determined in accordance with the provisions of the Portfolio

Management Agreement.

Initial Subordination Amount: The Initial Reference Portfolio Notional Amount *multiplied by* the Attachment Point

2. Buyer Payments

It is a condition precedent to Buyer's obligations to make the payments under this Section 2 that Seller has paid the Initial Exchange Amount to the Buyer on the Initial Exchange Date. For the avoidance of doubt, no Fixed Amounts shall be payable by Buyer under this Confirmation.

Initial Payment: On the Effective Date, Buyer will pay to Seller the Buyer Initial Expense Amount to be credited to the relevant Issuer General Expense Account(s).

- Periodic Payments:
- (i) With respect to each Buyer Calculation Period, Buyer shall pay to Seller on the related Buyer Payment Date the Buyer Payment Amount for such Buyer Calculation Period.
 - (ii) With respect to each Management Fee Calculation Period, Buyer shall pay to Seller on the related Management Fee Payment Date the Management Fee Amount for such Management Fee Calculation Period.
 - (iii) On each Buyer Additional Expense Amount Payment Date, Buyer shall pay to Seller the Buyer Additional Expense Amount for credit to the relevant Issuer Series Expense Account(s).
 - (iv) With respect to each Buyer Calculation Period in relation to which there are one or more Undetermined Reference Entities (such Buyer Calculation Period, an Affected Calculation Period, and the last occurring Cash Settlement Date with respect to such Undetermined Reference Entities, the Last Cash Settlement Date) on the related Buyer Additional Payment Date, Buyer shall pay to Seller the relevant Interest Shortfall Amount, if any, for the Affected Calculation Period.
 - (v) Without double-counting any amounts determined to be payable under paragraphs (i) or (iv) above, with respect to each Buyer Calculation Period during which a Last Cash Settlement Date falls and which is not an Affected Calculation Period, on the Buyer Payment Date immediately following such Last Cash Settlement Date Buyer shall pay to Seller the Interest Shortfall Amount, if any, for such Buyer Calculation Period.

For the avoidance of doubt, there shall be a single Last Cash Settlement Date with respect to each Affected Calculation Period, and the Last Cash Settlement Date in respect of one or more Affected Calculation Periods may fall on the same day.

Interim Payment: On the Portfolio Manager Cessation Date, the Buyer shall pay to Seller an amount equal to 20 per cent. of the Reserve Account Balance as of such date (after taking into account any reductions to the Reserve Account Balance on or prior to such day)

Buyer Payment Date: One Business Day prior to each Buyer Period End Date

Buyer Additional Payment Date:	With respect to an Affected Calculation Period, three Business Days following the Last Cash Settlement Date in respect of such Affected Calculation Period
Portfolio Manager Cessation Date:	The effective date of resignation or removal of the Portfolio Manager in the circumstances set out in Clauses 3.8(b) and 3.8(c) of the Portfolio Management Agreement and only to the extent that an amount is payable to the Portfolio Manager pursuant to Clause 3.8
Buyer Calculation Period:	Each period from (and including) a Buyer Period End Date (or, in the case of the first Buyer Calculation Period, the Effective Date) to (but excluding) the next (or, in the case of the first Buyer Calculation Period, the first) Buyer Period End Date
Buyer Additional Expense Amount Payment Date:	On 20th of each September, commencing on 20 September 2007 up to and including 20 September 2015, Buyer shall pay to Seller the Buyer Additional Expense Amount for credit to the relevant Issuer Series Expense Account(s)
Buyer Payment Amount:	<p>With respect to each Buyer Calculation Period, an amount determined by the Calculation Agent equal to the sum of the product of the following for each day in such Buyer Calculation Period:</p> <ul style="list-style-type: none"> (i) the Relevant Rate for such day; (ii) the Adjusted Notional Amount for such day; and (iii) 1/360.
Relevant Rate:	In respect of each day in a Buyer Calculation Period, (i) the Floating Rate for such Buyer Calculation Period determined by Buyer pursuant to the 2000 Definitions and based on the Floating Rate Option in respect of the Designated Maturity <i>plus</i> (ii) the Spread
Management Fee Period End Dates:	20th of each March, June, September and December, commencing on 20th December 2006 up to and including the earliest of (i) the Scheduled Termination Date, (ii) the Cash Settlement Date on which the Adjusted Notional Amount is determined to have been irrevocably reduced to zero, and (iii) the effective date of resignation or removal of the Portfolio Manager under the Portfolio Management Agreement.
Management Fee Payment Date:	One Business Day prior to each Management Fee Period End Date
Management Fee Calculation Period:	Each period from (and including) a Management Fee Period End Date (or, in the case of the first Management Fee Calculation Period, the Effective Date) to (but excluding) the next (or, in the case of the first Management Fee Calculation Period, the first) Management Fee Period End Date
Management Fee Amount:	With respect to each Management Fee Calculation Period, an amount determined by the Calculation Agent equal to the sum of the product of the following for each day in such Management Fee Calculation Period:

- (i) the Management Fee Rate for such day;
- (ii) the Adjusted Notional Amount for such day; and
- (iii) 1/360.

Management Fee Rate: 0.30 per cent. per annum

Final Payment: Subject to Section 6(C) of this Confirmation, Buyer shall pay to Seller:

- (i) on the Scheduled Termination Date (or, if such date is not a Business Day, on the following Business Day), an amount equal to the Adjusted Notional Amount as of the Scheduled Termination Date (after giving effect to any adjustment thereto in connection with any effective Extension Notice); and
- (ii) if there is a Deferred Settlement Date, on such date, the Adjusted Notional Amount as of the Deferred Settlement Date, if any, plus interest from (and including) the Scheduled Termination Date to (but excluding) the Deferred Settlement Date, in an amount determined by the Calculation Agent to be equal to the sum of the product of the following for each day in such period:
 - (a) Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Adjusted Notional Amount;
 - (b) the Adjusted Notional Amount on the Deferred Settlement Date; and
 - (c) 1/360; and
- (iii) on the later of the Scheduled Termination Date and the Deferred Settlement Date, the Reserve Account Balance as of such day (after taking into account any reductions to the Reserve Account Balance on or prior to such day).

If the payment of the Adjusted Notional Amount (as provided in (i) above) is postponed solely due to such date not being a Business Day, interest from (and including) the Scheduled Termination Date to (but excluding) the following Business Day shall be paid by Buyer to Seller on such following Business Day in an amount determined by the Calculation Agent to be equal to the sum of the product of the following for each day in such period:

- (a) Buyer's overnight deposit rate for deposits in the Settlement Currency in the amount of the Adjusted Notional Amount;
- (b) the Adjusted Notional Amount; and
- (c) 1/360.

In addition, on the Early Redemption Date, or, if earlier, the Early Termination Date, Buyer shall pay to Seller the Reserve Account Balance

as of such day (after taking into account any reductions to the Reserve Account Balance on or prior to such day).

Additional Payment Buyer shall pay to Seller the amounts in respect of tax payable on Fees (or any part thereof) pursuant to Clause 3.6 (b) or 3.6 (c) of the Master Portfolio Management Agreement on the date that the Issuer is obliged to make such payment

3. Seller Payments

Initial Payment:

Initial Exchange: Seller shall pay to Buyer the Initial Exchange Amount on the Initial Exchange Date.

Initial Exchange Amount: An amount equal to (i) the product of the Initial Notional Amount and the Issue Price *less* (ii) any Arranger's fee

Initial Exchange Date: Effective Date

Clean-Up Payment: On the Effective Date, an amount equal to the Buyer Initial Expense Amount will become due from Seller to Buyer. On each Buyer Payment Date, an amount equal to the Buyer Additional Expense Amount in respect of such date (if any) will become due from Seller to Buyer. On each date, an amount equal to the interest, if any, in respect of such date accrued in the Issuer Series Expense Account(s) in respect of the Notes will become due from Seller to Buyer. Unless otherwise directed by Buyer to pay a lesser amount, Seller shall pay the aggregate of such amounts together with all other amounts, if any, standing to the credit of the Issuer Series Expense Account(s) in respect of the Notes, to the extent of funds available in such account(s) to pay such amounts (the **Clean-Up Payment**) on the Termination Date or, if earlier, on the day on which the Notes are redeemed. In the event that an Early Termination Date is designated or deemed to occur, for purposes of determining the Settlement Amount or Unpaid Amounts in respect of the Transaction evidenced by this Confirmation, the amount payable by Seller under this paragraph and any Buyer Additional Expense Amounts shall be deemed to be zero, but for purposes of Section 6 of the Agreement, Seller shall be separately obligated to pay to Buyer the Clean-Up Payment on the earliest date that the other payments are due under Section 6 of the Agreement.

4. Settlement Terms

Floating Rate Payer Calculation Amount: In respect of a Reference Entity, the Reference Entity Notional Amount for such Reference Entity

Conditions to Settlement: Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information: Applicable

Specified Number: Two

Credit Events: In respect of a Reference Entity, as set forth in respect of the applicable

Transaction Type in the Transaction Type Annex

Grace Period Extension: In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex

Obligations:

Obligation Category: In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex

Obligation Characteristics: In respect of a Reference Entity, as set forth in respect of the applicable Transaction Type in the Transaction Type Annex

Excluded Obligations: None

Settlement Method: Cash Settlement; *provided, however*, that Section 7.1 of the Credit Derivatives Definitions shall not apply and, in lieu of the payment of any Cash Settlement Amount, the Loss Amount and the Adjusted Notional Amount shall be determined or adjusted in accordance with the respective definitions thereof

Reserve Account: Shall have the meaning given thereto in the Portfolio Management Agreement

Reserve Account Balance: Shall have the meaning given thereto in the Portfolio Management Agreement

Terms relating to Cash Settlement:

Cash Settlement Amount: In respect of each Reference Entity, the greater of (i)(a) the Floating Rate Payer Calculation Amount of such Reference Entity *multiplied by* (b) the Reference Price *minus* the Final Price for such Reference Entity and (ii) zero

Cash Settlement Date: In respect of a Reference Entity, the date upon which the Cash Settlement Amount in respect of such Reference Entity is determined

Valuation Date: Single Valuation Date. The Valuation Date shall be any Business Day selected by Buyer following the Event Determination Date.

Valuation Time: A time specified by the Calculation Agent as close as reasonably practicable to 11:00 a.m. in the relevant Calculation Agent City unless the Calculation Agent determines the principal market for transactions in the relevant Reference Obligation is closed at such time, in which case the Valuation Time shall be such other time selected by the Calculation Agent

Quotation Method: Bid

Quotation Amount: In respect of a Reference Obligation, an amount selected by Buyer which is a multiple of 1,000,000 in the Obligation Currency of such Reference Obligation not in excess of the lesser of (i) EUR 20,000,000 and (ii) the Floating Rate Payer Calculation Amount applicable to the relevant Reference Entity but in no case less than 1,000,000 units of the Settlement Currency (or, if such Reference Obligation is not denominated in EUR in

the case of (i) above or the Settlement Currency in the case of (ii) above, the equivalent of such amount in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained)).

Dealers: Dealers, financial institutions or funds that deal or invest in obligations (or counterparties to credit derivative transactions with Buyer in respect of obligations) of the type for which Quotations are to be obtained, as selected by and inclusive of Buyer. Any bid quotation provided by Buyer shall be deemed to be a firm quotation. New Bond Street Asset Management LLP (**New Bond Street**) will also be a Dealer and the Buyer will solicit Quotations from New Bond Street provided that any Quotation provided by New Bond Street shall be deemed to be a firm quotation.

Settlement Currency: Currency in which the Initial Notional Amount is denominated

Valuation Method: Highest

5. Additional Definitions

Deferred Settlement Date means, if (i) an Extension Notice is effective or (ii) an Event Determination Date has occurred before the Scheduled Termination Date but the related Cash Settlement Date has not occurred before the Scheduled Termination Date, three Business Days after the last to occur of (a) the Extension Date (if applicable) and (b) the last occurring Cash Settlement Date in respect of all Reference Entities.

Extension Date means, if an Extension Notice is effective on or prior to the Scheduled Termination Date, the last day of the latest ending Notice Delivery Period in respect of each Reference Entity specified in such Extension Notice.

Extension Notice means an irrevocable notice (which may be oral, including by telephone) from Buyer to Seller that is effective on or before the Scheduled Termination Date and that specifies one or more Reference Entities in respect of which Buyer in its sole discretion has determined that a Credit Event, Potential Failure to Pay or Potential Repudiation/Moratorium has or may have occurred. An Extension Notice is effective when given (and, if given by telephone, will be deemed to be given at the time the telephone conversation commences). A notice given after 4:00 p.m. New York City time on a Business Day will be deemed given on the next Business Day.

Interest Shortfall Amount means, with respect to a Buyer Calculation Period, an amount equal to:

- (i) the Buyer Payment Amount that would have been determined in respect of such period if the Cash Settlement Date for each Undetermined Reference Entity had been the relevant Event Determination Date (and the relevant Cash Settlement Amount had been determined on such date); minus
- (ii) the Buyer Payment Amount actually determined in respect of such period.

Reset Date means the first day of each Buyer Calculation Period.

Undetermined Reference Entity means, with respect to a Buyer Calculation Period, a Reference Entity with respect to which an Event Determination Date has occurred (whether within such Buyer Calculation Period or a previous Buyer Calculation Period) on or after the Effective Date but a Cash Settlement Date has not occurred on or prior to the last day of such Buyer Calculation Period.

6. Additional Provisions

- (A) Buyer's books and records recording the Reference Entities and the Specified Reference Obligations referenced hereunder from time to time will be *prima facie* evidence (in the absence of manifest errors) in the event of any dispute with respect to the name or identity of any such Reference Entity.
- (B) The Reference Portfolio Annex will be deemed amended from time to time to reflect the occurrence of any modifications required under Sections 2.2 and 2.30 of the Credit Derivatives Definitions (as amended by this Confirmation). The Calculation Agent shall specify all relevant details in respect of any Successor in the Reference Portfolio Annex and deliver to Buyer, Seller and the Rating Agency, if any, within such period as it regards as reasonably practical under the circumstances prevailing, copies of the Reference Portfolio Annex as so amended; *provided* that failure to so deliver shall not affect the effectiveness of the operation of Sections 2.2 or 2.30 of the Credit Derivatives Definitions or the related amendment to the Reference Portfolio Annex. Buyer shall deliver to the Rating Agency, if any, copies of any Credit Event Notice and Notice of Publicly Available Information delivered by Buyer to Seller. The Calculation Agent shall deliver to Buyer, Seller and the Rating Agency, if any, a notice specifying each Final Price determined under this Confirmation.
- (C) If on the Scheduled Termination Date Buyer determines that no Adjusted Notional Amount will become due after the Scheduled Termination Date, then Buyer shall make the Final Payment required under clause (i) of the definition thereof on the Scheduled Termination Date if and only if Seller transfers (or causes to be transferred) to Buyer, under the Credit Support Annex, Equivalent Credit Support (if any) with respect to all items comprising the Credit Support Balance on a delivery versus payment basis.

If on the Scheduled Termination Date Buyer determines that an Adjusted Notional Amount may become due after the Scheduled Termination Date, then Buyer shall make the Final Payment required under clause (i) of the definition thereof on the Scheduled Termination Date if and only if Seller transfers (or causes to be transferred) to Buyer, under the Credit Support Annex, Equivalent Credit Support (if any) with a Value equal to such Final Payment on a delivery versus payment basis.

Buyer shall make the Final Payment required under clause (ii) of the definition thereof on the Deferred Settlement Date if and only if Seller transfers (or causes to be transferred) to Buyer, under the Credit Support Annex, Equivalent Credit Support (if any) with respect to all items comprising the Credit Support Balance on a delivery versus payment basis.

For the purposes of the foregoing, each of "Equivalent Credit Support," "Credit Support Balance" and "Value" shall have the meaning given to it in the Credit Support Annex.

- (D) If a Downgrade Event occurs, Buyer shall Cure such Downgrade Event within 30 calendar days after S&P's public announcement thereof, *provided that* Buyer shall not be obligated to Cure a Downgrade Event on any day that such Downgrade Event no longer is continuing. For purposes of the foregoing:

Cure means the fulfilment of the obligations set forth in any one of clause (i), (ii) or (iii) below, or combination thereof, as elected by Buyer. Buyer shall notify (by telephone or in writing including by electronic transmission) Seller whether it elects clause (i), (ii) or (iii) to apply as soon as reasonably practical under the circumstances, provided, the failure to provide such notice shall not constitute an Event of Default or Termination Event or affect the effectiveness of its election. Buyer, after fulfilment of such obligations, may thereafter Cure a Downgrade Event by fulfilment of the obligations in any other of the following clauses or combination thereof:

- (i) transfer Eligible Credit Support in an amount and at the times required under the Credit Support Annex; or

- (ii) obtain (at its expense) agreement of a third party having the Required Ratings to act as Buyer under this Confirmation; or
- (iii) obtain (at its expense) agreement of a third party having the Required Ratings to guarantee Buyer's payment obligations under this Confirmation.

Downgrade Event means the Long Term Rating and Short Term Rating of Buyer are lower than the Required Ratings.

Eligible Securities means obligations selected by Buyer that qualify as Eligible Credit Support under the Credit Support Annex and any other obligations acceptable to Buyer.

Long Term Rating means S&P's long term, unsecured, unsubordinated and unguaranteed debt obligation rating of a person at any time.

Required Ratings means a Long Term Rating of "AA-" or higher and a Short Term Rating of "A-1+".

Short Term Rating means S&P's short term, unsecured, unsubordinated and unguaranteed debt obligation rating of a person at any time.

- (E) All determinations to be made by the Buyer under this Confirmation shall be made in good faith and in a commercially reasonable manner.

7. Amendments to Credit Derivatives Definitions

The Credit Derivatives Definitions are amended as follows:

- (A) Section 1.7 shall not apply.
- (B) The final sentence of Section 1.11 shall be deleted.
- (C) The pre-penultimate and penultimate sentences of Section 1.14 are hereby replaced with the following: "Whenever the Calculation Agent is required to act or to exercise judgment, it will do so in good faith in its sole and absolute discretion, effective as of such determination, and shall be conclusive absent manifest error. The Calculation Agent shall inform the Seller as soon as reasonably practicable following the determination of a new Adjusted Notional Amount or the Cash Settlement Amount in respect of any Reference Entity."
- (D) The following provisions of Section 2.2 are amended as follows:
 - (1) Section 2.2(a) is amended by deleting the words "for the entire Credit Derivative Transaction" from Sections 2.2(a)(i) and (ii) and replacing them with the words "in respect of such Reference Entity"; and by deleting the words "for a New Credit Derivative Transaction" from Sections 2.2(a)(iii) and (iv).
 - (2) Section 2.2(d)(i) of the Credit Derivatives Definitions is amended by replacing "a Credit Derivative Transaction" with "a Reference Entity"; and the last line of Section 2.2(d) is amended by replacing "each relevant Credit Derivative Transaction" with "each relevant Reference Entity".
 - (3) Section 2.2(e) is deleted and replaced in its entirety by the following:

"Where, pursuant to Section 2.2(a), one or more Successors have been identified in respect of a Reference Entity that has been subject to the relevant Succession Event (the "**Affected**

Entity"), (i) the Affected Entity will no longer be a Reference Entity for purposes of the Transaction (unless it is a Successor as described in Section 2.2(e)(ii)), (ii) each Successor will be deemed a Reference Entity for purposes of the Transaction, (iii) the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Affected Entity immediately prior to the application of Section 2.2 *divided by* the number of Successors and (iv) the Calculation Agent may make any modifications to the terms of the Credit Derivative Transaction required to preserve the economic effects of the Credit Derivative Transaction prior to the Succession Event (considered in the aggregate)."

Subject to the next paragraph, if a Successor is already a Reference Entity at the time Section 2.2 is applied (and is not itself the Affected Entity), the Reference Entity Notional Amount with respect to such Reference Entity shall be equal to the sum of (a) the Reference Entity Notional Amount in respect of the Reference Entity immediately prior to the application of Section 2.2 and (b) the Reference Entity Notional Amount in respect of such Reference Entity as a result of the application of Section 2.2(e)(iii) (as amended hereby).

If a Successor is already a Reference Entity at the time Section 2.2 is applied and, as a result of the relevant Succession Event, such Reference Entity would have more than one Reference Obligation, (a) the immediately preceding paragraph shall not apply, (b) there shall be deemed to be a separate Reference Entity hereunder associated with each such Reference Obligation, (c) the Reference Entity Notional Amount of the Reference Entity that was already a Reference Entity immediately prior to the application of Section 2.2 shall equal the Reference Entity Notional Amount in respect of such Reference Entity immediately prior to such application, (d) the Reference Entity Notional Amount of the Successor determined by application of Section 2.2 shall equal the amount determined by application of Section 2.2(e)(iii) (as amended hereby) and (e) the Conditions to Settlement may be satisfied, and settlement with respect thereto may occur, separately for each such Reference Entity.

- (E) Section 2.15 is amended by deleting the words "outstanding principal balance or Due and Payable Amount being Delivered" in Section 2.15(a) and Section 2.15(c) and replacing them with the words "Quotation Amount."
- (F) Section 2.19(b)(i)(A) shall be amended by the insertion of: (A) the words "of the relevant Reference Entity" immediately after the words "most senior Reference Obligation" in the second line thereof; (B) the words "with respect to such Reference Entity" immediately after the words "Reference Obligation is specified" in the third line thereof; and (C) the word "relevant" immediately before the words "Reference Entity" in the fifth line thereof.
- (G) Section 2.31 is deleted.
- (H) Section 2.32(a) and 2.33(a) shall be amended as follows:
 - (1) any reference to "Physical Settlement" shall be deemed to be a reference to "Cash Settlement"; and
 - (2) the words "then a Deliverable Obligation may be specified (or deemed specified pursuant to Section 9.10) in the Notice of Physical Settlement" appearing in the fourth and fifth lines thereof shall be deleted and replaced with "an obligation may be specified as a Reference Obligation".
- (I) In Section 3.3, references to the "Effective Date" shall mean the "the first Business Day immediately following the Trade Date".

(J) Section 3.7 is amended by inserting at the end thereof the following: "and such other published or electronically displayed news or information sources as are referenced in any Notice of Publicly Available Information".

(K) Section 3.9 is deleted and replaced in its entirety by the following:

"Section 3.9 Credit Event Notice After Restructuring.

(a) In the event that Restructuring is the only Credit Event specified in a Credit Event Notice, the Notifying Party shall specify the portion (an "**Exercise Amount**") of the Reference Entity Notional Amount in respect of which the Conditions to Settlement are being satisfied in such Credit Event Notice. Such Exercise Amount shall be determined in the sole discretion of the Notifying Party but shall be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units of the currency) in which the Reference Entity Notional Amount is denominated or an integral multiple thereof or the entire then outstanding Reference Entity Notional Amount. In no case may the Exercise Amount exceed the Reference Entity Notional Amount.

(b) For the purposes of Section 4 of this Confirmation (Settlement Terms), the Reference Entity Notional Amount of the relevant Reference Entity shall be deemed to be the Exercise Amount.

(c) In the event that the Conditions to Settlement are satisfied with respect to any Reference Entity and the Exercise Amount is less than the relevant Reference Entity Notional Amount, that Reference Entity shall continue to be a Reference Entity for the purposes of the Transaction and:

(i) shall have a Reference Entity Notional Amount equal to its Reference Entity Notional Amount immediately prior to the relevant Event Determination Date *minus* that Exercise Amount; and

(ii) the Conditions to Settlement may be satisfied on one or more future occasions with respect to that Reference Entity (including, without limitation, with respect to a Restructuring Credit Event in relation to which a Settlement Date has already occurred on one or more previous occasions), *provided* in each case that the Reference Entity Notional Amount of that Reference Entity prior to such satisfaction is greater than zero."

(L) The final sentence of Section 4.6(b) shall be deleted.

(M) The final sentence of Section 7.2 shall be deleted.

(N) The phrase "only one Reference Obligation and one Valuation Date" shall be deleted from Section 7.5(a). Sections 7.5(b), 7.5(c) and 7.5(d) shall not apply.

(O) Section 7.7 of the Credit Derivatives Definitions is hereby replaced with the following:

"Section 7.7. Quotation. "Quotation" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to the Valuation Date from six or more Dealers. If the Calculation Agent is able to obtain two or more such Full Quotations from Dealers other than Buyer in respect of such Valuation Date, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified

Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of such Valuation Date but is able to obtain a Weighted Average Quotation in respect of such Valuation Date, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain two or more such Full Quotations or such a Weighted Average Quotation in respect of such Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until and including the fifth Business Day) the Calculation Agent shall attempt to obtain two or more such Full Quotations from five or more Dealers other than Buyer and, if two or more such Full Quotations are not available from such Dealers other than Buyer on any such Business Day, a Weighted Average Quotation on such Business Day. If the Calculation Agent is able to obtain two or more such Full Quotations in respect of any such Business Day from such Dealers other than the Buyer, then the Calculation Agent shall use such Full Quotations to determine the Final Price in accordance with the specified Valuation Method. If the Calculation Agent is unable to obtain two or more such Full Quotations in respect of any such Business Day but is able to obtain a Weighted Average Quotation in respect of any such Business Day, then the Calculation Agent shall use such Weighted Average Quotation to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain two or more such Full Quotations or such a Weighted Average Quotation from such Dealers other than Buyer on or prior to the fifth Business Day following the relevant Valuation Date, then the Calculation Agent shall use the Full Quotation, if any, obtained from Buyer on such fifth Business Day to determine the Final Price in accordance with the specified Valuation Method.

If the Calculation Agent is unable to obtain such Full Quotation from Buyer on such fifth Business Day following the relevant Valuation Date, the Quotation shall be deemed to be zero.

The Calculation Agent shall determine, based on then current market practice in respect of the relevant Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the outstanding principal balance (as defined in Section 8.7(a)(i)) for purposes of determining the Final Price."

- (P) Article X is deleted.
- (Q) The phrases "after consultation with the parties" and "in consultation with the parties" shall be deleted wherever they appear in the Credit Derivatives Definitions.
- (R) References to Deliverable Obligation, Deliverable Obligation Category and Deliverable Obligation Characteristics in the definition of Reference Obligation are for convenience only and are not intended to amend Cash Settlement as the Settlement Method.
- (S) References in the Credit Derivatives Definitions to "Physical Settlement Date" or to "Delivery Date" shall be deemed to be references to the relevant Valuation Date.
- (T) Credit Event Notices, Notices of Publicly Available Information and Extension Notices are subject to the requirements regarding notices set forth in Section 1.10 unless otherwise specifically provided herein and shall, in each case, be copied by Buyer to the Principal Paying Agent and the Trustee, *provided* that the delivery of or failure to deliver any such copy to the Principal Paying Agent or the Trustee will not affect the effectiveness of such notice.

8. Notice and Account Details

As per Exhibit A hereto

9. Value of Early Termination

If an Early Termination Date is designated or deemed to occur as a result of (i) an Event of Default in relation to Buyer as the Defaulting Party, or (ii) a Termination Event (except under Section 5(b)(i) and 5(b)(ii) (if applicable) of the Agreement) in relation to Buyer as the sole Affected Party and, with respect to Section 5(b)(iii), in relation to Seller as the Burdened Party (the date that such event occurs, the "**Relevant Date**"), Buyer and Seller agree that for purposes of Section 6 of the Agreement the Market Quotation (as defined in the Agreement) of the Transaction represented by this Confirmation shall not be determined under Section 6 of the Agreement but rather shall be deemed to be equal to the amounts that would have been payable by Buyer to Seller under this Confirmation on the Scheduled Termination Date had the Scheduled Termination Date been the Early Termination Date and such an Early Termination Date had not been designated or deemed to occur; *provided* that the Early Termination Date shall be postponed to a date necessary to settle all outstanding Credit Events.

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us.

Yours sincerely,
BARCLAYS BANK PLC

By:
Name:
Title:

Confirmed on the date
first above written:
XELO II PUBLIC LIMITED COMPANY

By:
Name:
Title:

ANNEX 2

REFERENCE PORTFOLIO ANNEX

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
1	ABB INTERNATIONAL FINANCE LIMITED	BBB+	Industrial equipment	Switzerland	Western European Corporate		57.0			XS0181196170	Senior
2	ALTRIA GROUP, INC.	BBB+	Beverage & Tobacco	USA	North American IG		55.5			US02209SAA15	Senior
3	ASSURED GUARANTY CORP.	AAA	Insurance	USA	North American Monoline		31.0			None	Senior
4	AUTOSTRADA S.P.A.	A-	Surface transport	Italy	Western European Corporate		46.0			XS0193947271	Senior
5	BERKSHIRE HATHAWAY INC.	AAA	Conglomerates	USA	North American IG		21.0			US084664AD30	Senior
6	BRITISH AMERICAN TOBACCO P.L.C.	BBB+	Beverage & Tobacco	United Kingdom	Western European Corporate		54.1			XS0094703799	Senior
7	BRITISH TELECOMMUNICATIONS PUBLIC LIMITED COMPANY	BBB+	Telecommunications	United Kingdom	Western European Corporate		81.0			XS0123684887	Senior
8	CARNIVAL CORPORATION	A-	Surface transport	USA	North American IG		37.0			US143658AH53	Senior
9	CENTRICA PLC	A	Utilities	United Kingdom	Western European Corporate		48.0			XS0137672381	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
10	COUNTRYWIDE HOME LOANS, INC.	A	Financial intermediaries	USA	North American IG		61.0			US22237LPA43	Senior
11	DEUTSCHE LUFTHANSA AKTIENGESELLSCHAFT	BBB	Air transport	Germany	Western European Corporate		82.0			XS0140276618	Senior
12	DEUTSCHE TELEKOM AG	A-	Telecommunications	Germany	Western European Corporate		81.0			XS0148956559	Senior
13	FEDERAL NATIONAL MORTGAGE ASSOCIATION	A+	U.S. Agency (Explicitly Guaranteed)	USA	North American IG		25.5			US31359MNU35	Subordinated
14	FINANCIAL GUARANTY INSURANCE COMPANY	AAA	Insurance	USA	North American Monoline		16.0			None	Senior
15	FKI PLC	BB	Industrial equipment	United Kingdom	Western European Corporate		282.0			XS0107657222	Senior
16	FRANCE TELECOM	A-	Telecommunications	France	Western European Corporate		71.1			FR0000471948	Senior
17	FEDERAL HOME LOAN MORTGAGE CORPORATION	AA-	U.S. Agency (Explicitly Guaranteed)	USA	North American IG		22.0			US3134A4EW03	Subordinated
18	GENERAL ELECTRIC CAPITAL CORPORATION	AAA	Conglomerates	USA	North American IG		20.1			US36962GYY42	Senior
19	GMAC LLC	BB	Automotive	USA	North American IG		213.0			US370425SE16	Senior
20	GKN HOLDINGS PLC	BBB	Automotive	United Kingdom	Western European Corporate		105.0			XS0147740335	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
21	GLENORE INTERNATIONAL AG	BBB-	Nonferrous metals/minerals	Switzerland	Western European Corporate		146.0			XS0202202957	Senior
22	THE GOLDMAN SACHS GROUP, INC.	A+	Brokers, Dealers & Investment houses	USA	North American IG		38.0			US38141GBU76	Senior
23	HANNOVER RUECKVERSICHERUNG AG	AA-	Insurance	Germany	Western European Insurer		51.0			XS0187043079	Subordinated
24	HANSON PLC	BBB+	Conglomerates	United Kingdom	Western European Corporate		82.0			US411352AA50	Senior
25	HELLENIC TELECOMMUNICATIONS ORGANISATION SOCIETE ANONYME	BBB+	Telecommunications	Greece	Western European Corporate		76.0			XS0173549659	Senior
26	HUTCHISON WHAMPOA LIMITED	A-	Conglomerates	Hong Kong	Asian Corporate		60.0			USG4672QAA25	Senior
27	INTERNATIONAL LEASE FINANCE CORPORATION	AA-	Equipment leasing	USA	North American IG		26.0			US459745EZ45	Senior
28	INVESTOR AKTIEBOLAG	AA-	Conglomerates	Sweden	Western European Corporate		21.0			XS0143736162	Senior
29	JPMORGAN CHASE & CO.	A+	Financial intermediaries	USA	North American IG		25.0			US46625HAJ95	Subordinated
30	KONINKLIJKE DSM N.V.	A-	Chemicals & plastics	Netherlands	Western European Corporate		47.0			USN65297AR93	Senior
31	LEHMAN BROTHERS HOLDINGS INC.	A+	Brokers, Dealers & Investment houses	USA	North American IG		37.0			US52517PSC67	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
32	LIMITED BRANDS, INC.	BBB	Retailers (except food & drug)	USA	North American IG		89.0			US532716AH08	Senior
33	MASCO CORPORATION	BBB+	Home furnishings	USA	North American IG		79.0			US574599AX44	Senior
34	MBIA INC.	AA	Insurance	USA	North American IG		31.0			US55262CAF77	Senior
35	MERRILL LYNCH & CO., INC.	A+	Brokers, Dealers & Investment houses	USA	North American IG		32.0			US590188JP48	Senior
36	MGIC INVESTMENT CORPORATION	A	Insurance	USA	North American IG		51.0			US552845AF69	Senior
37	MOTOROLA, INC.	A-	Telecommunications	USA	North American IG		45.0			US620076AK59	Senior
38	MUENCHENER RUECKVERSICHERUNGSGESELLSCHAFT AKTIENGESELLSCHAFT IN MUENCHEN	A+	Insurance	Germany	Western European Insurer		41.0			XS0166965797	Subordinated
39	NORSKE SKOGINDUSTRIER ASA	BBB-	Forest products	Norway	Western European Corporate		195.0			USR80036AN77	Senior
40	PEARSON PLC	BBB+	Publishing	United Kingdom	Western European Corporate		64.0			XS0106750655	Senior
41	PETROLEOS MEXICANOS	BBB	Oil & gas	Mexico	Emerging Market Corporate		102.0			US71654QAM42	Senior
42	QANTAS AIRWAYS	BBB+	Air transport	Australia	Australian		57.3			USQ77974AW52	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
	LIMITED				Corporate						
43	RADIAN GROUP INC.	A	Insurance	USA	North American IG		51.0			US750236AB78	Senior
44	REPUBLIC OF HUNGARY	BBB+	Sovereign	Hungary	Emerging Market Sovereign		65.5			US445545AC05	Senior
45	REPUBLIC OF SOUTH AFRICA	BBB+	Sovereign	South Africa	Emerging Market Sovereign		90.5			US836205AD62	Senior
46	REUTERS GROUP PLC	A-	Business equipment & services	United Kingdom	Western European Corporate		39.0			XS0180277393	Senior
47	ROYAL CARIBBEAN CRUISES LTD.	BB+	Leisure goods/activities/movies	USA	North American HY		175.0			US780153AL64	Senior
48	KONINKLIJKE KPN N.V.	BBB+	Telecommunications	Netherlands	Western European Corporate		98.0			US780641AG12	Senior
49	SARA LEE CORPORATION	BBB+	Food products	USA	North American IG		73.0			US803111AM56	Senior
50	SCANIA AKTIEBOLAG	BBB+	Automotive	Sweden	Western European Corporate		51.0			XS0140345520	Senior
51	SOUTHWEST AIRLINES CO.	A	Air transport	USA	North American IG		41.1			US844741AV08	Senior
52	SVENSKA CELLULOSA AKTIEBOLAGET SCA	A-	Forest products	Sweden	Western European Corporate		44.0			XS0149915653	Senior
53	SWISS REINSURANCE COMPANY	AA-	Insurance	Switzerland	Western European		42.0			xs0138467401	Subordinated

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
					Insurer						
54	TELECOM ITALIA SPA	BBB	Telecommunications	Italy	Western European Corporate		121.0			XS0142531903	Senior
55	TELEFONICA, S.A.	BBB+	Telecommunications	Spain	Western European Corporate		79.0			XS0162867880	Senior
56	TELSTRA CORPORATION LIMITED	A	Telecommunications	Australia	Australian Corporate		47.3			XS0131858838	Senior
57	VODAFONE GROUP PUBLIC LIMITED COMPANY	A-	Telecommunications	United Kingdom	Western European Corporate		58.0			US92857TAG22	Senior
58	VOLKSWAGEN AKTIENGESELLSCHAFT	A-	Automotive	Germany	Western European Corporate		47.0			XS0168882495	Senior
59	WOLTERS KLUWER N.V.	BBB+	Publishing	Netherlands	Western European Corporate		83.0			XS0181273342	Senior
60	PULTE HOMES, INC.	BBB	Building & Development	USA	North American IG		109.0			US745867AL56	Senior
61	TELECOM CORPORATION OF NEW ZEALAND LIMITED	A	Telecommunications	New Zealand	New Zealand Corporate		43.3			XS0140346171	Senior
62	CIT GROUP INC.	A	Financial intermediaries	USA	North American IG		46.0			US125581AB41	Senior
63	PPG INDUSTRIES, INC.	A	Chemicals & plastics	USA	North American IG		35.0			US693506AY35	Senior
64	TRANSOCEAN INC.	A-	Oil & gas	USA	North American IG		44.0			US893830AK59	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
65	SWEDISH MATCH AB	A-	Beverage & Tobacco	Sweden	Western European Corporate		49.0			XS0102264651	Senior
66	TYSON FOODS, INC.	BBB-	Food products	USA	North American IG		161.0			US902494AM53	Senior
67	EOP OPERATING LIMITED PARTNERSHIP	BBB	REITs and REOCs	USA	North American IG		62.0			US268766BU59	Senior
68	M.D.C. HOLDINGS, INC.	BBB-	Building & Development	USA	North American IG		168.0			US552676AN89	Senior
69	K. HOVNANIAN ENTERPRISES, INC.	BB	Building & Development	USA	North American HY		345.0			US442488AQ54	Senior
70	MGM MIRAGE	BB	Lodging & casinos	USA	North American HY		240.0			US552953AG66	Senior
71	NOVA CHEMICALS CORPORATION	BB-	Chemicals & plastics	Canada	North American HY		306.0			US66977WAF68	Senior
72	SABRE HOLDINGS CORPORATION	BBB	Business equipment & services	USA	North American IG		166.1			US785905AA83	Senior
73	SIMON PROPERTY GROUP, L.P.	A-	REITs and REOCs	USA	North American IG		38.0			US828807AQ09	Senior
74	TUI AG	BB+	Leisure goods/activities/movies	Germany	Western European Corporate		368.0			XS0191794782	Senior
75	WENDY'S INTERNATIONAL, INC.	BB+	Food service	USA	North American IG		182.0			US950590AJ84	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
76	TEMPLE-INLAND INC.	BBB	Forest products	USA	North American IG		85.0			US879868AH09	Senior
77	EUROPEAN AERONAUTIC DEFENCE AND SPACE COMPANY EADS N.V.	A	Aerospace & Defence	France	Western European Corporate		45.0			XS0163822488	Senior
78	TOLL BROTHERS, INC.	BBB-	Building & Development	USA	North American IG		172.0			US88947EAA82	Senior
79	AMERICAN STANDARD INC.	BBB	Business equipment & services	USA	North American IG		85.0			US029717AC90	Senior
80	SOLVAY	A	Chemicals & plastics	Belgium	Western European Corporate		32.0			BE0374557404	Senior
81	BOUYGUES	A-	Conglomerates	France	Western European Corporate		41.0			FR0000489171	Senior
82	UNILEVER N.V.	A+	Food products	Netherlands	Western European Corporate		26.0			US904764AG27	Senior
83	WOOLWORTHS LTD	A-	Food/drug retailers	Australia	Australian Corporate		38.4			AU000WW20022	Senior
84	BOSTON SCIENTIFIC CORPORATION	BBB+	Health care	USA	North American IG		96.0			US101137AB33	Senior
85	THE BLACK & DECKER CORPORATION	BBB	Industrial equipment	USA	North American IG		97.0			US091797AJ96	Senior
86	BRUNSWICK CORPORATION	BBB+	Leisure goods/activities/movies	USA	North American IG		107.1			US117043AF61	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
87	DANAHER CORPORATION	A+	Industrial equipment	USA	North American IG		28.0			US235851AB82	Senior
88	THE PMI GROUP, INC.	A	Insurance	USA	North American IG		51.0			US69344MAE12	Senior
89	ZURICH INSURANCE COMPANY	A+	Insurance	Switzerland	Western European Insurer		43.0			XS0177601811	Subordinated
90	REED ELSEVIER PLC	A-	Publishing	United Kingdom	Western European Corporate		40.0			XS0133458728	Senior
91	CBS CORPORATION	BBB	Radio & Television	USA	North American IG		103.0			US925524AU41	Senior
92	TELEVISION FRANCAISE 1	A	Radio & Television	France	Western European Corporate		35.0			FR0010027508	Senior
93	ISTAR FINANCIAL INC.	BBB	REITs and REOCs	USA	North American IG		64.0			US45031UAB70	Senior
94	WESTFIELD MANAGEMENT LTD AS RESPONSIBLE ENTITY OF THE WESTFIELD TRUST	A-	REITs and REOCs	Australia	Australian Corporate		45.4			AU300WFLD105	Senior
95	NORDSTROM, INC.	A	Retailers (except food & drug)	USA	North American IG		35.0			US655664AH33	Senior
96	POSCO	A-	Steel	South Korea	Asian Corporate		36.5			US730450AD51	Senior
97	SPRINT NEXTEL CORPORATION	BBB+	Telecommunications	USA	North American IG		84.0			US852060AS17	Senior

No.	Reference Entity	Effective Rating*	Industry Group	Country	Transaction Type	Date In	Bid Spread	Date Out (if any)	Offer Spread (if any)	Specified Reference Obligation	
										CUSIP/ISIN	Senior/Sub
98	TELIASONERA AKTIEBOLAG	A-	Telecommunications	Sweden	Western European Corporate		73.0			XS0101443538	Senior
99	E.ON AG	A+	Utilities	Germany	Western European Corporate		24.3			XS0148578262	Senior
100	KELDA GROUP PLC	A	Utilities	United Kingdom	Western European Corporate		35.0			XS0109437441	Senior

*** As of the Trade Date**

1. **Barclays Bank PLC has used reasonable efforts to verify the names of the Reference Entities and details of the Specified Reference Obligations contained in this Annex. Such information has been verified for each Reference Entity by reference to publicly available information. Publicly available information can be inaccurate or outdated, and as a result, corrections to the details of Reference Entities and Specified Reference Obligations may need to be made from time to time if such information turns out to be inaccurate or outdated including after the Issue Date.**
2. **The columns under the headings “Specified Reference Obligation” refer to the specified details as at the issue date of the relevant obligation and do not take account of any subsequent changes.**
3. **A Reference Entity may be identified as such by virtue of being an issuer of the Specified Reference Obligation. In situations where there are co-issuers of such Specified Reference Obligation, such co-issuers have not been identified.**
4. **A Reference Entity may be identified as such by virtue of a guarantee of such Reference Entity in respect of the Specified Reference Obligation. Such Reference Entity may not be the sole guarantor of such Specified Reference Obligation.**

ANNEX 3

TRANSACTION TYPE ANNEX

Transaction Type	Credit Events	Obligation Category	Obligation Characteristics	All Guarantees	Deliverable Obligation Category	Deliverable Obligation Characteristics
Asian Corporate	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring	Bond or Loan	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender Not Domestic Law Not Domestic Issuance
Asian Sovereign	Failure to Pay Grace Period Extension Not Applicable Restructuring Repudiation/Moratorium	Bond or Loan	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender Not Domestic Law Not Domestic Issuance
Australia / New Zealand Corporate	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable	Borrowed Money	None	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
Emerging Market Corporate	Bankruptcy Failure to Pay Grace Period Extension Applicable Restructuring Multiple Holder Obligation Not Applicable Repudiation/Moratorium Obligation Acceleration	Borrowed Money	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Transferable Not Domestic Law Not Domestic Issuance
Emerging Market Sovereign	Failure to Pay Grace Period Extension Applicable	Bond	Not Subordinated Not Domestic Currency	Applicable	Bond	Not Subordinated Specified Currency: Standard Specified

Transaction Type	Credit Events	Obligation Category	Obligation Characteristics	All Guarantees	Deliverable Obligation Category	Deliverable Obligation Characteristics
	Restructuring Multiple Holder Obligation Not Applicable Repudiation/Moratorium Obligation Acceleration		Not Domestic Law Not Domestic Issuance			Currencies Not Contingent Not Bearer Transferable Not Domestic Law Not Domestic Issuance
Japanese Corporate	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Section 3.9 Not Applicable Multiple Holder Obligation Not Applicable Section 3.3 of the Credit Derivatives Definitions shall be amended by replacing "Greenwich Mean Time" with "Tokyo time."	Borrowed Money	Not Subordinated	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
Japanese Sovereign	Failure to Pay Grace Period Extension Not Applicable Restructuring Section 3.9 Not Applicable Multiple Holder Obligation Not Applicable Repudiation/Moratorium Section 3.3 of the Credit Derivatives Definitions shall be amended by replacing "Greenwich Mean Time" with "Tokyo time."	Borrowed Money	None	Applicable	Bond or Loan	Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
North American HY	Bankruptcy Failure to Pay Grace Period Extension Not Applicable	Borrowed Money	None	Not Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
North American IG	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable	Borrowed Money	None	Not Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
North American Monoline	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation Applicable	Borrowed Money	None	Not Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan

Transaction Type	Credit Events	Obligation Category	Obligation Characteristics	All Guarantees	Deliverable Obligation Category	Deliverable Obligation Characteristics
						Transferable Maximum Maturity: 30 years
Singapore Corporate	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Sovereign Lender	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies and the Domestic Currency of the Reference Entity Not Contingent Not Bearer Assignable Loan Transferable Maximum Maturity: 30 years Not Sovereign Lender
Western European Corporate	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable	Borrowed Money	None	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
Western European Insurer**	Bankruptcy Failure to Pay Grace Period Extension Not Applicable Restructuring	Borrowed Money	None	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years
Western European Sovereign	Failure to Pay Grace Period Extension Not Applicable Restructuring Repudiation/Moratorium	Borrowed Money	None	Applicable	Bond or Loan	Not Subordinated Specified Currency: Standard Specified Currencies Not Contingent Not Bearer Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years

** If Western European Insurer is specified in the Reference Portfolio Annex as the Transaction Type for a Reference Entity but the Reference Obligation of such Reference Entity is a Senior Obligation instead of a Subordinated Obligation, then the Transaction Type for such Reference Entity shall be Western European Corporate and not Western European Insurer.

EXHIBIT A

NOTICE AND ACCOUNT DETAILS

Notices for Barclays:

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom
Tel: +44 (0) 20 7773 9126
Fax: +44 (0) 20 7516 7441
Attention: Head of UK Credit Derivatives

Barclays Bank PLC
Global Credit Derivatives Group
200 Park Avenue
New York, New York 10166
U.S.A.
Tel: +1 212 412 5280
Fax: +1 212 412 1694
Attention: Head of US Credit Derivatives

With a copy to:

Barclays Capital
200 Park Avenue
New York, New York 10166
United States of America
Attention: Head of Structured Credit Transaction
Management
Tel: +1.212.412.5700
Fax: +1.212.412.1732

Notices to Counterparty:

Counterparty
XELO II PLC
AIB International Centre
IFSC
Dublin 1
Ireland

Attention: Directors
Facsimile No: +353 1 874 3050
Telephone No: +353 1 874 0777

Account Details of Barclays:

EUR

Bank: Barclays Bk Plc, London
Swift: BARCGB22
A/C: Barclays Head Office Swaps
A/C No: 78659111

GBP

Bank: Barclays Bk Plc, 54 Lombard Street,
London
S/C: 20-00-00
Swift: BARCGB22
A/C: Barclays Swaps
A/C No: 00152021

USD

Bank: Federal Reserve Bank of New York, New
York
ABA No: 026-0025-74
A/C: Barclays Bank Plc, New York
Favour: Barclays Swaps & Options Group, New
York
A/C No: 050-01922-8

Account Details of Counterparty:

Counterparty
To be advised

ANNEX 4

FORM OF PARAGRAPH 11 OF THE CREDIT SUPPORT ANNEX

References herein to "Party A" are to Barclays Bank PLC and to "Party B" are to Xelo II Public Limited Company but only in respect of its Series 2006 (Piccadilly 2) EUR14,043,000 Secured Limited Recourse Credit-Linked Notes due 2016 (the "Notes").

Paragraph 11. Elections and Variables

(a) **Base Currency and Eligible Currency**

- (i) **"Base Currency"** means EUR (and any successor currency).
- (ii) **"Eligible Currency"** means the Base Currency and the lawful currencies of the United Kingdom and the United States of America (and any successor currency to any such currency).

(b) **Credit Support Obligations**

(i) Delivery Amount, Return Amount and Credit Support Amount

(A) **"Delivery Amount"** has the meaning specified in Paragraph 2(a).

(B) **"Return Amount"** has the meaning specified in Paragraph 2(b).

(C) **"Credit Support Amount"** means on a Valuation Date:

(I) with respect to Party A zero, unless on such Valuation Date Party A (i) is obligated to Cure a Downgrade Event pursuant to Section 6D of the Confirmation of the Transaction and (ii) elects to Cure such Downgrade Event pursuant to clause (i) of the definition of Cure in such Section 6D, in which case Credit Support Amount means:

(a) prior to the payment of the Adjusted Notional Amount due on the Scheduled Termination Date or, if later, the Adjusted Notional Amount on the Deferred Settlement Date, the sum of (x) the Adjusted Notional Amount on such Valuation Date and (y) the Additional CS Amount; or

(b) on and after the payment of the Adjusted Notional Amount due on the Scheduled Termination Date or, if later, the Adjusted Notional Amount due on the Deferred Settlement Date, zero; and

(II) with respect to Party B, zero.

(ii) **Eligible Credit Support**

Each of the items (each, a **"Credit Support Item"**) described in Exhibit 1 to this Paragraph 11 of the Credit Support Annex will qualify as **"Eligible Credit Support"**. For the avoidance of doubt, if a Credit Support Item ceases to be rated AAA by S&P it shall no longer constitute Eligible Credit Support for the purposes of the Credit Support Annex and, notwithstanding any other provision of the Credit Support Annex, Party A shall have 30

calendar days to replace such Credit Support Item with another item or items that qualifies or qualify as Eligible Credit Support.

(iii) **Thresholds**

(A) **"Independent Amount"** means with respect to Party A and Party B, zero.

(B) **"Threshold"** means with respect to Party A and Party B, zero.

(C) **"Minimum Transfer Amount"** means with respect to Party A and Party B, zero.

(D) **Rounding.** The Delivery Amount and the Return Amount will not be rounded.

(c) **Valuation and Timing**

(i) **"Valuation Agent"** means Party A in all instances

(ii) **"Valuation Date"** means each Local Business Day.

(iii) **"Valuation Time"** means the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable, provided that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.

(iv) **"Notification Time"** means 1:00 p.m., London time, on a Local Business Day.

(d) **Exchange Date**

"Exchange Date" has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

(i) **"Resolution Time"** means 1:00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

(ii) **Value.** For the purposes of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated by Party A in good faith and in a commercially reasonable manner.

(iii) **Alternative.** The provisions of Paragraph 4 will apply, unless an alternative dispute resolution procedure is specified here: none.

(f) **Distributions and Interest Amount**

(i) **Interest Rate.** The "Interest Rate" in relation to the portion of the Credit Support Balance comprised of cash in an Eligible Currency will be the rate of interest quoted from time to time by Party B's custodian in respect of such Eligible Currency.

(ii) **Transfer of Interest Amount.** The transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that a Return Amount consisting wholly or partly of cash is transferred to the Transferor pursuant to Paragraph 2(b).

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply.

(g) **Addresses for Transfers**

Party A: To be advised by Party A.

Party B: To be advised by Party B's custodian.

(h) **Other provisions:**

(i) **Rights and Obligations of Party A**

Party A's obligations under this Annex may be performed by Party A or by any other entity designated by Party A, and Party B will accept performance from such other entity, and such performance will be deemed to discharge the obligations of Party A to the extent of such performance, provided, however, Party A will remain obligated to perform its obligations under this Annex notwithstanding any such designation. Party A may assign its right to receive Equivalent Credit Support to any entity, and Party B will transfer such Equivalent Credit Support to such other entity designated by Party A, and such transfer will be deemed to discharge the obligations of Party B to the extent of such transfer.

(ii) **Amendment to Section 12 (Notices)**

For purposes of Paragraph 2, Party B shall be deemed to have given the notice required under Paragraph 2 on any Valuation Date on which the Credit Support Amount exceeds the Value of the Transferor's Credit Support Balance.

(iii) **Amendment to Paragraph 3(c) (Exchanges)**

Subparagraph (ii) of Paragraph 3(c) is deleted in its entirety and replaced with the following:

"(ii) Subject to the New Credit Support proposed by the Transferor under Paragraph 3(c)(i) being a Credit Support Item, (A) the Transferor will be obliged to transfer the New Credit Support to the Transferee on the Settlement Day specified by the Transferor and (B) the Transferee will be obliged to transfer to the Transferor Equivalent Credit Support in respect of the Original Credit Support not later than the Settlement Day following the date on which the Transferee receives the New Credit Support (the "**Exchange Date**"); *provided* that the Transferee will not be obliged to transfer Equivalent Credit Support in respect of the Original Credit Support to the Transferor if and to the extent that a Delivery Amount would be greater than zero immediately after giving effect to such transfer."

(iv) **Amendment to Paragraph 6 (Default)**

Paragraph 6 is deleted in its entirety and replaced with the following:

If an Early Termination Date is designated or deemed to occur as a result of an Event of Default or a Termination Event in relation to a party, an amount equal to the Value (provided that a Valuation Percentage of 100 per cent. shall be applied for the purposes of determining the Value of Eligible Credit Support comprised in the Credit Support Balance) of the Credit Support Balance, determined as though the Early Termination Date were a Valuation Date, will be deemed to be an Unpaid Amount due to the Transferor (which may or may not be the Defaulting Party or the Affected Party as the case may be) for the purposes of Section 6(e). For the avoidance of doubt, if Market Quotation is the applicable payment measure for the purposes of Section 6(e), then the Market Quotation determined

under Section 6(e) in relation to the Transaction constituted by this Annex will be deemed to be zero, and, if Loss is the applicable payment measure for the purposes of Section 6(e), then the Loss determined under Section 6(e) in relation to the Transaction will be limited to the Unpaid Amount representing the Value of the Credit Support Balance.

(v) **Amendments to Paragraph 10 (*Definitions*)**

(A) Capitalised words and expressions defined in the Confirmation (as defined below) shall, except so far as the context otherwise requires, have the same meaning in this Annex. In the event of any inconsistency between the definitions in the Confirmation and this Annex, this Annex shall prevail.

(B) The following amendments shall be made to the definitions in Paragraph 10 of this Annex:

The definition of "**Credit Support Balance**" is deleted and replaced with the following:

"**Credit Support Balance**" means on a Valuation Date:

(i) with respect to Party A, the aggregate of all Eligible Credit Support that has been transferred to or received by Party B under this Annex, together with any Distributions and all proceeds of any such Eligible Credit Support or Distributions, as reduced pursuant to Paragraphs 2(b), 3(c)(ii) or 6. Any Equivalent Distributions or Interest Amount (or portion of either) not transferred pursuant to Paragraph 5(c)(i) or (ii) will form part of the Credit Support Balance; and

(ii) with respect to Party B, zero.

The definition of "**Value**" is deleted and replaced with the following:

"**Value**" means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute:

(i) with respect to Eligible Credit Support comprised in the Credit Support Balance that is:

(a) an amount of cash or a Deposit, the Base Currency Equivalent of such amount multiplied by the applicable Valuation Percentage, if any; and

(b) any other item of Eligible Credit Support, the Base Currency Equivalent of the bid price obtained or quoted by the Valuation Agent for such item of Eligible Credit Support multiplied by the applicable Valuation Percentage, if any; and

(ii) with respect to other items that are comprised in the Credit Support Balance not covered by (i) above, zero.

(C) The following additional definitions shall be added to Paragraph 10 of this Annex:

"**AAA ABS_(Cards)**" means an asset backed security which the Valuation Agent determines (i) represents ownership of or payments on which are secured by or

derived from credit card receivables, (ii) the documentation for which provides for periodic payments at a floating rate and (iii) is rated AAA by S&P.

"AAA ABS_(Autos)" means an asset backed security which the Valuation Agent determines (i) represents ownership of or payments on which are secured by or derived from auto loan and/or lease receivables, (ii) the documentation for which provides for periodic payments at a floating rate and (iii) which is rated AAA by S&P.

"Additional CS Amount" means, as at any Valuation Date, either:

- (i) an amount, as determined by the Valuation Agent (acting in good faith and in a commercially reasonable manner), equal to the sum of:
 - (a) the aggregate of (A) the Buyer Payment Amount due on the next following Buyer Payment Date (or if such day is a Buyer Payment Date, on that day) under the Confirmation and (B) an amount equal to the product of (x) such Buyer Payment Amount multiplied by (y) a fraction, the numerator of which is 5 and the denominator of which is 360, provided that such next following Buyer Payment Date (or, as the case may be, such day if that is a Buyer Payment Date) falls on or prior to the Scheduled Termination Date;
 - (b) the Management Fee Amount due on the next following Management Fee Payment Date (or if such day is a Management Fee Payment Date, on that day) under the Confirmation provided that such next following Management Fee Payment Date (or, as the case may be, such day if that is a Management Fee Payment Date) falls on or prior to the Scheduled Termination Date;
 - (c) the Buyer Additional Expense Amount due on the next following Buyer Additional Expense Payment Date (or if such day is a Buyer Additional Expense Payment Date, on that day) under the Confirmation provided that such next following Buyer Additional Expense Payment Date (or, as the case may be, such day if that is a Buyer Additional Expense Payment Date) falls on or prior to the Scheduled Termination Date; and
 - (d) an amount equal to 20 per cent. of the Reserve Account Balance as of the relevant Valuation Date; or
- (ii) otherwise, zero.

"Commercial Paper" means commercial paper or other short-term securities, instruments, certificates or obligations (other than Deposits) having a maturity of not more than 270 days from their date of issuance and are rated not less than the Short-Term Minimum Rating.

"Confirmation" means the confirmation between Barclays Bank PLC and Xelo II Public Limited Company dated on or about the date of the ISDA Master Agreement of which this Credit Support Annex forms a part, including the Annexes and Exhibit thereto, the purpose of which is to confirm the terms and conditions of the Transaction entered into between Party A and Party B.

"Deposits" means demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any Qualifying Institution organised or incorporated in a Qualifying Country.

"Government Bonds" means obligations issued or guaranteed by a Qualifying Country or any agency or instrumentality thereof or the European Central Bank that have a long term credit rating of "AAA" from S&P.

"Long-Term Minimum Rating" means a security, instrument, certificate, investment or other obligation that has a long term credit rating or the issuer or obligor with respect to which has a long-term credit rating of "AA-" or higher from S&P.

"Qualifying Country" means the United States of America, United Kingdom or Federal Republic of Germany (or, in each case, any political subdivision thereof).

"Qualifying Institution" means, in respect of relevant Eligible Credit Support that is a Deposit, any depositary institution or trust company (or, in case of a principal depositary institution in a holding company system, such holding company) the debt or deposits of which are rated not less than the Short-Term Minimum Rating and not less than the Long-Term Minimum Rating, which for the avoidance of doubt may include Party B's custodian (and its successors) but shall exclude Barclays Bank PLC and any affiliate and its successors.

"Short-Term Minimum Rating" means a security, instrument, certificate, investment or other obligation that has a short term credit rating or the issuer or obligor with respect to which has a short term credit rating of "A-1+" from S&P.

IN WITNESS whereof, the parties hereby enter into this Annex by their duly authorised officers as of the date written above

BARCLAYS BANK PLC

XELO II PUBLIC COMPANY LIMITED

By:
Name:
Title:
Date:

By:
Name:
Title:
Date:

Exhibit 1
To Paragraph 11 of the Credit Support Annex

Items of Eligible Credit Support

		Valuation Percentage (subject to below)
(A)	cash in an Eligible Currency	100%
(B)	Deposits that have a remaining maturity of one year or less	98%
(C)	Commercial Paper denominated and payable in an Eligible Currency	98%
(D)	AAA ABS _(Cards) denominated and payable in an Eligible Currency	As specified in the attached schedule
(E)	AAA ABS _(Autos) denominated and payable in an Eligible Currency	As specified in the attached schedule
(F)	Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of one year or less	As specified in the attached schedule
	Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than one year and less than or equal to three years	As specified in the attached schedule
	Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than three years and less than or equal to five years	As specified in the attached schedule
	Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than five years and less than or equal to 10 years	As specified in the attached schedule
	Government Bonds denominated and payable in an Eligible Currency that have a remaining maturity of more than 10 years	As specified in the attached schedule
(G)	Floating rate Collateralised Debt Obligations rated AAA - Diversified:	As specified in the attached schedule
(H)	EUR-denominated floating rate Collateralised Debt Obligations rated AAA	As specified in the attached schedule

Valuation Percentage (subject to below)

- Non-Diversified:

- | | | |
|-----|---|---|
| (I) | Any other bonds, notes, debentures, certificates, securities, instruments or other obligations which are not specified above for which S&P provides a Valuation Percentage to Party A | As specified by S&P in respect of such other bond, note, debenture, certificate, security, instrument or other obligation |
|-----|---|---|

The Valuation Percentages in respect of the items of Eligible Credit Support above shall be adjusted as follows. If any such item of Eligible Credit Support is denominated in:

- (a) GBP, such Valuation Percentages above shall be multiplied by 96.12%; and
- (b) USD, such Valuation Percentages above shall be multiplied by 97.3%.

SCHEDULE TO EXHIBIT 1 TO PARAGRAPH 11 OF THE CREDIT SUPPORT ANNEX

US Floating CDO – Diversified (≥10 Issuers)	
Rating of Collateral	AAA
Domicile	US
Weighted Average Life of Collateral	
Less than 1 year	97.90%
1 - 3 years	95.70%
3 - 5 years	94.50%
5 - 7 years	93.10%
7 - 10 years	92.30%
10+ years	91.00%

US Floating CDO – Non Diversified (<10 Issuers)	
Rating of Collateral	AAA
Domicile	US
Weighted Average Life of Collateral	
Less than 1 year	96.90%
1 - 3 years	94.70%
3 - 5 years	92.50%
5 - 7 years	90.10%
7 - 10 years	88.30%
10+ years	86.00%

US credit cards	
	Diversified
Rating of Collateral	AAA
Domicile	US
Weighted Average Life of Collateral	
Less than 1 year	99.00%
1 - 3 years	98.70%
3 - 5 years	98.00%
5 - 7 years	96.80%
7 - 10 years	96.20%
10+ years	93.60%

European credit cards	
	Diversified
Rating of Collateral	AAA
Domicile	Europe
Weighted Average Life of Collateral	
Less than 1 year	96.90%
1 - 3 years	96.60%
3 - 5 years	96.00%
5 - 7 years	94.70%
7 - 10 years	94.10%
10+ years	91.60%

US autos	
	Diversified
Rating of Collateral	AAA
Domicile	US
Weighted Average Life of Collateral	
Less than 1 year	99.00%
1 – 3 years	98.70%
3 – 5 years	98.00%
5 – 7 years	96.80%
7 - 10 years	96.20%
10+ years	93.00%

Europe autos	
	Diversified
Rating of Collateral	AAA
Domicile	Europe
Weighted Average Life of Collateral	
Less than 1 year	96.90%
1 - 3 years	96.60%
3 - 5 years	96.00%
5 - 7 years	94.70%
7 - 10 years	94.10%
10+ years	91.60%

US Sovereigns	
Rating of Collateral	AAA
Domicile	US
Weighted Average Life of Collateral	
Less than 1 year	98.80%
1 – 3 years	97.60%
3 – 5 years	95.30%
5 – 7 years	93.20%
7 - 10 years	92.20%
10+ years	87.80%

Europe Sovereigns	
Rating of Collateral	AAA
Domicile	Europe
Weighted Average Life of Collateral	
Less than 1 year	98.80%
1 - 3 years	96.70%
3 - 5 years	93.30%
5 - 7 years	88.70%
7 - 10 years	86.10%
10+ years	76.80%

ANNEX 5

FORM OF SCHEDULE TO ISDA MASTER AGREEMENT AND AMENDMENTS TO THE MASTER CHARGED AGREEMENT TERMS

Structured Investment Terms Master Charged Agreement Terms

August 2006 (XELO II PLC) Edition

FORM OF CHARGED AGREEMENT

1. Background

- 1.1 These Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) contain provisions which may be used with respect to any Notes issued by the Issuer, the issue of which is arranged by Barclay Bank PLC or any of its subsidiaries or associated companies.
- 1.2 Notes may be constituted and/or secured by entry into by the Trustee, the Issuer, the Swap Counterparty and any others that may be parties thereto of a Constituting Instrument, each such Constituting Instrument comprising a separate instrument which may incorporate by reference, as amended and/or supplemented as provided therein, the provisions of these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition).
- 1.3 These Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) set out the terms and conditions pursuant to which the Swap Counterparty may, at its discretion, enter into a Charged Agreement with the Issuer of a Series of Notes issued by the Issuer under the Programme and comprise a Schedule (the **Schedule**) to the International Swaps and Derivatives Association Inc. 1992 Form of Master Agreement (Multicurrency –Cross Border).
- 1.4 Upon the execution of the Constituting Instrument relating to the Notes of a particular Series by or on behalf of the persons party thereto in the capacities of Issuer and Swap Counterparty, such persons shall be deemed to have entered into an agreement in respect of the Notes constituted and/or secured by such Constituting Instrument on the terms of these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) (as the same may be modified or supplemented by the provisions of such Constituting Instrument).

2. Definitions

Unless otherwise defined herein or the context otherwise requires, the Master Definitions as specified in and amended by the Constituting Instrument relating to the Notes of the relevant Series shall apply to these Master Charged Agreement Terms (August 2006 (XELO II PLC) Edition) and any deed or document incorporating them.

SCHEDULE 1

**to the ISDA Master Agreement
Multicurrency-Cross Border) published by the
International Swaps and Derivatives Association, Inc. (ISDA)**

Dated: the date specified in the
Constituting Instrument
relating to the Notes referred to
in such Constituting Instrument

between

the Swap Counterparty

and

the Issuer

(Party A)

(Party B)

In respect of each Constituting Instrument entered into by the parties thereto (the **Constituting Instrument**) and the Series of Notes constituted thereby (the **Notes**), Party A and Party B are deemed to have entered into an agreement (the **Agreement**) in the form of the ISDA Master Agreement (Multicurrency - Cross Border) relating to the Charged Agreement entered into by Party A and Party B in respect of such Series of Notes, and such Agreement is deemed to be incorporated into this Agreement *in extenso* as amended by the following schedule which shall take effect as if it was the Schedule to such Agreement.

**SCHEDULE TO THE AGREEMENT
IN RESPECT OF THE SERIES OF NOTES
CONSTITUTED BY THE CONSTITUTING INSTRUMENT**

This Schedule is the Schedule to the Agreement referenced on the preceding page. For the avoidance of doubt, the Agreement and this Schedule relate solely to the Charged Agreement entered into between Party A and Party B in respect the Notes constituted by the Constituting Instrument referenced on the preceding page.

In this Schedule "**Notes**" means the Notes of the relevant Series constituted by the relevant Constituting Instrument and "**Charged Assets**" and "**Noteholders**" bear the meaning ascribed thereto in the Conditions of the Notes of the relevant Series.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation(s) and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this "**Agreement**" in respect of a Transaction or Transactions mean this document together with the Confirmation(s) relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing.

Each Charged Agreement shall be constituted by the Agreement and a Confirmation or Confirmations evidencing the Transaction or Transactions to be outstanding thereunder (the **Transaction** or **Transactions**), each such Confirmation constituting a Confirmation for the purposes of the relevant Agreement.

Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. "**Transaction**", "**Transactions**" and "**Agreement**" shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

If, in respect of a Series of Notes, the Constituting Instrument therefor provides that Party A and Party B are parties to a Credit Support Annex (Bilateral Form – Transfer) governed by English law (**Credit Support Annex**) in respect of such Series of Notes, then the Transaction evidenced by such Credit Support Annex shall be a Transaction subject to, governed by and made part of the Agreement in respect of such Series of Notes.

1. Termination Provisions

In this Agreement:

1.1 "Specified Entity": means in relation to Party A for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

in relation to Party B for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

1.2 "Specified Transaction": will have the meaning specified in Section 14.

1.3 "Cross Default": the provisions of Section 5(a)(vi) will not apply to either Party A or Party B.

1.4 "Credit Event Upon Merger": the provisions of Section 5(b)(iv) will not apply to either Party A or Party B.

1.5 "Automatic Early Termination": the provisions of Section 6(a) will not apply to either Party A or Party B.

1.6 Payments on Early Termination. For the purpose of Section 6(e) of this Agreement:

- (1) Market Quotation will apply; and
- (2) The Second Method will apply.

1.7 "Termination Currency": means the currency in which the Notes are denominated.

1.8 "Affected Transactions": If there is more than one Transaction outstanding under the Agreement in relation to a Series of Notes and an Early Termination Date is designated or deemed to occur in respect of any one Transaction under the Agreement in relation to a Series of Notes, all Transactions shall be Affected Transactions in respect of such Agreement and Series of Notes.

1.9 "Additional Termination Event" will apply as follows:

- (1) If at any time the Notes become repayable in full prior to the maturity date thereof in accordance with the Conditions thereof an Additional Termination Event will be deemed to have occurred; or
- (2) If at any time the Transaction is required to be terminated in part pursuant to any of Paragraphs 1.10 or 1.11 below, an Additional Termination Event will be deemed to have occurred, but only with respect to that part of the Transaction which terminates pursuant to such paragraph; or
- (3) If the event specified in Paragraph 1.12 occurs in relation to the Notes an Additional Termination Event will be deemed to have occurred.

For the purposes of the foregoing Additional Termination Events the Affected Party shall be Party B.

1.10 If some (but not all) of the Notes are to be redeemed by Party B pursuant to the paragraph headed "Alternative Procedures" of Condition 1(b)(3) or Condition 7(f) of the Notes (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:

(A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such redemption shall be terminated:

(1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such redemption; or

(2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed; and

(B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed.

Party B shall at any time and from time to time if it receives notice in writing to such effect from Party A but not otherwise exercise its Sale/Redemption Right pursuant to Condition 1(b)(3) (U.S. Series/U.S. Tranche – Alternative Procedures) in accordance with the instructions contained in such notice.

1.11 If Party A receives a notice that some or all of the Notes are to be purchased by Party B pursuant to Condition 7(g) (Purchase) of the Notes having given its consent to such purchase in accordance with such Condition (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:

(A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such purchase shall be terminated:

(1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such purchase; or

(2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased; and

(B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased.

1.12 If Party A receives a notice that the Notes are to be exchanged for Notes of a New Series pursuant to Condition 7(h) (Exchange of Series) of the Notes having given its consent to such purchase in accordance with such Condition, then the obligation of each of Party A and Party B to make payment or delivery to the other party in respect of each Transaction outstanding under the Agreement after the date of such exchange shall be terminated in full.

1.13 On receiving a notice referred to in Paragraphs 1.10 or 1.11 or 1.12 above Party A will calculate the amount owing hereunder to it as a result of such termination or by it as a result of such termination, unless the Confirmation in relation to any Transaction so terminated in whole or in part expressly provides otherwise. Amounts due from Party A to Party B or from Party B to Party A, as the case may be, will be made to the account of the relevant party specified in the Confirmation. All such payments will be made on the date specified in such notice or, in the case of Paragraph 1.10 above, on the due date of redemption of the Notes in question or, in the case of Paragraph 1.12 above, on the date of cancellation of the Notes and issue of the Notes of the New Series.

1.14 Separate Agreements: Section 1(c) shall be deleted and replaced with the following:

"Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. "**Transaction**", "**Transactions**" and "**Agreement**" shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this "**Agreement**" in respect of a Transaction or Transactions mean this document together with the Confirmation relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing."

2. Tax Representations

2.1 Payer Representation: For the purpose of Section 3(e) of this Agreement, each of Party A and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representation made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be in a breach of this representation where reliance is placed on item (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

2.2 Payee Representations: For the purposes of section 3(f) of this Agreement, Party A makes the following representation: It is beneficially entitled to any proceeds it receives under this Agreement and is a company resident for tax purposes in the United Kingdom and no payment under this Agreement is connected with a trade or business carried on by it through a branch or agency in Ireland.

3. Agreement to Deliver Documents

For the purpose of Sections 3(d) and 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(A) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered
Not applicable	Not applicable	Not applicable

(B) Other documents to be delivered are:

Party Required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party B	Legal opinion of counsel in the jurisdiction of incorporation of Party B	At signing of the Constituting Instrument relating to the Notes	No
	Letter from agent for service of process confirming acceptance of appointment	At signing of the Constituting Instrument relating to the Notes	No
	Copy of resolution of board of directors authorising execution of the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder	At signing of the Constituting Instrument relating to the Notes	Yes
	A duly authorised and executed Power of Attorney appointing persons to execute, inter alia, the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder,	At signing of the Constituting Instrument relating to the Notes	Yes

or other evidence of due
authorisation of a
signatory hereto

4. Miscellaneous

4.1 Addresses for Notices: For the purpose of Section 12(a):

(A) Address for notices of communications to Party A: As specified in the Constituting Instrument relating to the Notes of the relevant Series.

(B) Address for notices or communications to Party B: As specified in the Constituting Instrument relating to the Notes of the relevant Series.

4.2 Process Agent: For the purpose of Section 13(c):

Party A appoints as its Process Agent: Not applicable.

Party B appoints as its Process Agent the person specified as agent for service of process in the Constituting Instrument relating to the Notes of the relevant Series.

4.3 Offices: The provisions of Section 10(a) will apply to this Agreement.

4.4 Multibranch Party: For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

4.5 Calculation Agent: The Calculation Agent is Party A unless another entity is specified as Calculation Agent in respect of a Transaction in the Confirmation therefor. Party A (in its own capacity and as Calculation Agent or otherwise) is not acting as a fiduciary for or as an advisor to any person or entity in respect of its duties as Calculation Agent or otherwise in connection with this Agreement or any Transaction hereunder and shall have no obligation to take any person or entity's (other than its own) interest or position into consideration in making any calculation or taking or refraining from taking any action in connection herewith or therewith.

4.6 Credit Support Document: Details of any Credit Support Document:

Party A: None, unless in respect of a Series of Notes, the Constituting Instrument therefor specifies that Party A is required to deliver a Credit Support Annex in which event such Credit Support Annex shall constitute a Credit Support Document in respect of Party A and such Series of Notes.

Party B: The Trust Deed constituted by the Constituting Instrument relating to the Notes of the relevant Series among, inter alios, Party B, the Trustee and Party A and any Additional Charging Instrument referred to in such Constituting Instrument and, if the Confirmation in respect of a Transaction so specifies, the obligation of Party B specified therein as a Credit Support Document in respect of Party B and such Series of Notes.

4.7 Credit Support Provider: Credit Support Provider means in relation to Party A: Not applicable.

Credit Support Provider means in relation to Party B: Not applicable.

4.8 Governing Law: This Agreement will be governed by and construed in accordance with English law.

4.9 "Affiliate": will have the meaning specified in Section 14 unless another meaning is specified here: No change from Section 14 except that with respect to Party B it shall mean any person or entity controlled, directly or indirectly, by Party B.

5. Other Provisions

5.1 No Set-off

(A) All payments under this Agreement shall be made without set-off or counterclaim except as expressly provided for in Section 6.

(B) Section 6(e) shall be amended by the deletion of the following sentence "The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off."

5.2 Security interest and transfer

Section 7 shall be replaced by the following:

"Except as otherwise contemplated by Clauses 9.2 and 16.2 of the Master Trust Terms incorporated into the Trust Deed by the Constituting Instrument relating to the Notes of the relevant Series (as defined in the Conditions of the Notes), neither this Agreement nor any interest or obligation in or under it may be transferred (whether by way of security or otherwise) by either party except in accordance with the following:

(A) subject to the consent of the Trustee, a party may make such a transfer of all or part of its interest in any amount payable to it from a Defaulting Party under Section 6(e);

(B) subject to the consent of the Trustee and provided that, if such transfer is proposed by Party A and the Notes are then rated at the request of the Issuer by a Rating Agency, such Rating Agency is notified of such substitution and confirms to the Trustee that its then current rating of such Notes by it will not be withdrawn or adversely affected by such transfer, a party may make such transfer of this Agreement to another entity as it shall deem appropriate, whether or not such transfer is pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, such other entity (but without prejudice to any other right or remedy under this Agreement); and

(C) the Issuer may charge, assign or otherwise create security over its rights under this Agreement in favour of the Trustee pursuant to the Constituting Instrument or any Additional Charging Instrument.

Any purported transfer that is not in compliance with this Section will be void."

5.3 Disapplication of certain Events of Default

Sections 5(a)(ii), 5(a)(iv), 5(a)(v), 5(a)(vi), 5(a)(vii)(9) and 5(a)(viii) will not apply in respect of Party A or Party B.

5.4 Disapplication of certain Termination Events

Sections 5(b)(ii), 5(b)(iii) and 5(b)(iv) shall not apply to either party.

5.5 Transfer to avoid Termination Event

Sections 6(b)(ii) and 6(b)(iii) shall not apply.

5.6 Amendments

Section 9(b) is amended by the addition at the end thereof of the following additional sentences:

"Subject as provided below, if the Notes are rated, any such amendment, modification or waiver shall be subject to prior written notification to each Rating Agency and to confirmation from each Rating Agency as to there being no adverse change caused to the rating granted to the Notes by each Rating Agency that originally assigned a rating to such Notes at or about the time of issuance thereof. The immediately preceding sentence shall not apply to Party A and Party B entering into the Transactions under the Confirmation of even date herewith. This Section 9(b) shall not apply to any amendment, modification or waiver to the Confirmation dated of even date herewith pursuant to the terms of such Confirmation, which amendment, modification or waiver expressly does not require the consent of Party B or is permitted to be made by Party A pursuant to the terms of such Confirmation or which amendment, modification or waiver is deemed to occur pursuant to the terms of such Confirmation."

5.7 Additional representation

Section 3 is amended by the addition at the end thereof of the following additional representations:

"(g) **No Agency.** It is entering into this Agreement and the Transaction(s) as principal and not as agent of any person.

(h) **Expertise.** It has sufficient knowledge and expertise to enter into the Transaction(s) and is relying on its own judgment and not on advice of the other Party."

5.8 Recording of conversations

Each party to this Agreement acknowledges and agrees to the tape recording of conversations between the parties to this Agreement whether by one or other or both of the parties.

5.9 Relationship between the parties

The Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

"15. **Relationship between the parties**

Each party will be deemed to represent to the other party on the date on which it enters into the Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):

(a) **Non Reliance**

It is acting for its own account and it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the Transaction; it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction. It has not received from the other party any assurance or guarantee as to the expected results of the Transaction.

(b) **Assessment and Understanding**

It is capable of accepting the terms, conditions and risks of the Transaction. It is also capable of assuming, and assumes, the financial and other risks of the Transaction.

(c) **Status of Parties**

The other party is not acting as a fiduciary or an adviser for it in respect of the Transaction.

(d) **Transactions in the Collateral**

It understands that the other party and its Affiliates may engage in proprietary trading for its own account in the Collateral or similar instruments and that such trading may affect the value of the Collateral.”.

5.10 Tax

Notwithstanding the definition of "Indemnifiable Tax" in Section 14 of this Agreement, in relation to payments by Party A, no Tax shall be an Indemnifiable Tax and, in relation to payments by Party B, no Tax shall be an Indemnifiable Tax and accordingly Section 2(d)(i)(4) and Section 2(d)(ii) of this Agreement shall not apply. Section 4(e) shall not apply to Party B.

5.11 Non-petition/limited recourse

Notwithstanding any other provision hereof, of any Charged Agreement or of the Confirmation relating thereto or otherwise, Party A hereby acknowledges that it shall have recourse in respect of any claim under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or under the Confirmation relating thereto and forming part thereof against Party B (whether arising under such Charged Agreement, such Confirmation, the general law, or otherwise) only to the Collateral (or part thereof if so provided in the Constituting Instrument relating to the Notes) relating to the Notes of the relevant Series and that, the security constituted in its favour by or pursuant to the Constituting Instrument relating to the Notes of the relevant Series and/or, if applicable, any Additional Charging Instrument having been enforced, any claim under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof which it has against Party B and which is not met out of the proceeds of enforcement of such security (as applied in accordance with the provisions of the relevant Constituting Instrument) shall be extinguished and (save for lodging a claim in the liquidation of Party B initiated by another person or taking proceedings to obtain a declaration or judgment as to the obligations of Party B) Party A will not take any further action against Party B in respect thereof and will not have any claim in respect of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof against the Collateral or Charged Assets relating to any other Discrete Series or Alternative Investments issued by Party B or against any other assets of Party B. It is a fundamental term of any debt comprising amounts owing to Party A by Party B under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof that Party A shall not be entitled to exercise any right of set-off, lien, consolidation of accounts or other similar right arising by operation of law or otherwise against Party B other than in its capacity as Party A, and then solely in respect of rights arising, under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof and not in respect of any other agreement and shall not petition or take any other step for the winding-up of Party B in relation to such debt (save as aforesaid). This provision shall survive termination for any reason whatsoever of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto.

5.12 Payments

Section 2(c) shall not apply. There shall be inserted the following additional paragraph as Section 2(f):

- "(f) **Same day payments.** If on any date (a **Relevant Date**) amounts are payable in respect of the same Transaction, by each party to the other, then the amount payable by Party A (the **Party A Payment**) shall not be so payable until the amount payable by Party B (the **Party B Payment**) shall have been duly paid and received in full in accordance with the provisions of this Agreement. If on a Relevant Date, Party A shall not have received evidence satisfactory to it of the payment and receipt of the Party B Payment (**Party B Payment Evidence**), it shall be entitled but not obliged to pay the Party A Payment to an interest bearing escrow account in its name with the Principal Paying Agent on terms that the Party A Payment shall be paid to Party B in accordance with this Agreement if Party A shall have notified the Principal Paying Agent that it has received the Party B Payment Evidence but otherwise the Party A Payment shall be immediately repaid in full together with any accrued interest by the Principal Paying Agent to Party A for Party A's sole use and benefit:
- (i) if Party A shall notify the Principal Paying Agent that there has occurred an Event of Default with respect to Party B or a Termination Event; or
 - (ii) in any event (if the Party A Payment shall not at such time have been paid to Party B in accordance with this Section 2(f)), immediately before close of business on the third Local Business Day after the Relevant Date.

The making or withholding of any Party A Payment or the taking or omission to take any other action by Party A in the circumstances and in the manner set out in this Section 2(f) shall not constitute an Event of Default or a Termination Event, in either such case, with respect to Party A. Party A shall as against Party B be absolutely beneficially entitled to any interest accrued on the escrow account referred to above.”.

5.13 Section 5(a)(vii)

Section 5(a)(vii) shall apply with respect to Party B with the following amendments:

- (i) Section 5(a)(vii)(2) shall not apply.
- (ii) Section 5(a)(vii)(3) shall take effect with the words "the Noteholders" substituted for "its creditors".
- (iii) Section 5(a)(vii)(4) is hereby amended by the insertion of the words "or for the appointment of an examiner to it" after the first occurrence of the word "liquidation" and by the insertion of the words "or the appointment of an examiner to it" after the second occurrence of the word "liquidation".
- (iv) Section 5(a)(vii)(5) is hereby amended by the insertion of the following words after the occurrence of the word "liquidation":

"or sends a notice convening a meeting to propose a voluntary arrangement of the Noteholders".
- (v) Sections 5(a)(vii)(6) and (7) shall take effect with the words “assets comprised in the Collateral (as defined in the Constituting Instrument)” substituted for “all or substantially all its assets”.

5.14 Contracts (Rights of Third Parties) Act 1999

A person which is not a party to the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument relating to the Notes has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of such Charged Agreement or any agreement or deed or constituted hereby, but this does not affect any right or remedy of a third party which exists or is available apart from that Act (and is without prejudice to the right of the Trustee to enforce its security over such Charged Agreement as contemplated by the Trust Deed relating to the Notes of the relevant Series).

5.15 Calculation of Settlement Amount

Notwithstanding the provisions of Section 6(e), the determination of any Settlement Amount shall be made by Party A in all circumstances except where Party A is the Defaulting Party, in which case it shall be made by Party B.

5.16 Notices

Section 12 of the Agreement is amended by the deletion of the following in the second to third lines thereof:

"(except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system)."

REGISTERED OFFICE OF THE ISSUER

AIB International Centre
IFSC
Dublin 1
Ireland

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

PORTFOLIO MANAGER

New Bond Street Asset Management LLP
3rd Floor
1 Hanover Street
London W1S 1AX

TRUSTEE

BNY Corporate Trustee Services Limited
One Canada Square,
London E14 5AL

ISSUE AGENT, PRINCIPAL PAYING AGENT AND CUSTODIAN

JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT

PAYING AGENT AND IRISH LISTING AGENT

J.P. Morgan Bank (Ireland) plc
J.P. Morgan House
International Financial Services Centre
Dublin 1
Ireland

LEGAL ADVISORS

To the Arranger as to English law

Allen & Overy LLP
One New Change
London EC4M 9QQ

*To the Issuer
as to Irish law*

A&L Goodbody
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

To the Portfolio Manager as to English law

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Allen & Overy LLP
ICM:3495455.5