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SILK ROAD FINANCE NUMBER ONE PLC
(Incorporated in England and Wales with limited liability, registered number 7125906)

Class of Notes	Principal Amount	Issue Price	Interest rate (payable before the Step-Down Date)	Interest Rate (payable from and including the Step-Down Date)	Ratings (Fitch/Moody's)	Final Maturity Date
Class A1 Notes	£2,500,000,000	100%	1.40% margin above Three-Month Sterling LIBOR	0.55% margin above Three-Month Sterling LIBOR	AAA/Aaa	December 2052
Class B1 VFN	£900,000,000	100%	0.21% margin above Three-Month Sterling LIBOR	0.21% margin above Three-Month Sterling LIBOR	Not Rated	December 2052
Class B2 VFN	£290,000,000	100%	0.21% margin above Three-Month Sterling LIBOR	0.21% margin above Three-Month Sterling LIBOR	Not Rated	December 2052
Class C VFN	£290,000,000	100%	0.21% margin above Three-Month Sterling LIBOR	0.21% margin above Three-Month Sterling LIBOR	Not Rated	December 2052
Class D VFN	£2,750,000,000	100%	N/A	0.55% margin above Three-Month Sterling LIBOR	Not Rated	December 2052

On or about 25 February 2010 (the **Closing Date**), the Issuer will issue mortgage backed floating rate notes (the **Notes**) in the classes set out above.

The principal assets from which the Issuer will make payments on the Notes is a pool of residential mortgages originated by the former Britannia Building Society or by The Co-operative Bank p.l.c. (the **Co-op**) currently under the Britannia brand name, and secured over properties located in England and Wales which will be purchased by the Issuer on the Closing Date and may be purchased during the Further Sale Period provided certain conditions are met.

Interest will be payable quarterly in arrear on the 21st day of March, June, September and December, in each year, for all classes of Notes. See further the definition of "Interest Payment Date".

Subject to the detailed description and limitations set out in "**Credit Structure**", the Notes will have the benefit of credit enhancement and liquidity support including, in the case of the Class A1 Notes and the Class D VFN (if funded), the subordination of the Class B VFN, the Class C VFN, overcollateralisation, a liquidity reserve fund, a general reserve fund and a yield reserve fund and in the case of the Class B VFN only, the subordination of the Class C VFN. If funded, the Class D VFN will rank *pro rata* and *pari passu* with the Class A1 Notes. The Notes will be issued pursuant to a trust deed dated on the Closing Date (the **Trust Deed**) between, *inter alios*, the Issuer and Capita Trust Company Limited (in such capacity, the **Note Trustee**) and secured pursuant to a deed of charge (the **Deed of Charge**) dated on the Closing Date, between, *inter alios*, the Issuer and Capita Trust Company Limited (in such capacity, the **Security Trustee**).

The Notes will comprise the Class A1 Notes, the Class B1 VFN, the Class B2 VFN, the Class C VFN and the Class D VFN. The Class A1 Notes and the Class D VFN (if funded) will rank *pro rata* and *pari passu* in respect of principal repayments and interest payments ahead of the Class B1 VFN, the Class B2 VFN and the Class C VFN at all times. The Class B1 VFN and the Class B2 VFN will rank *pro rata* and *pari passu* in respect of principal repayments and interest payments at all times and ahead of the Class C VFN.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of the Co-op, or any of its affiliates (the **Co-op Bank Group**).

Application has been made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Class A1 Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to London Stock Exchange plc (the **London Stock Exchange**) for the Class A1 Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). The Class B VFN, the Class C VFN and the Class D VFN will not be admitted to the Official List of the UK Listing Authority nor will they be admitted to trading on the London Stock Exchange's Regulated Market.

The Class A1 Notes are expected to be assigned the ratings set out above on the Closing Date. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Class B VFN, the Class C VFN and the Class D VFN will be purchased by the Co-op and will not be rated.

The Notes are highly structured. Before you purchase any Notes, be sure that you understand the structure and the risks (see, in particular, the section herein entitled "**Risk Factors**"). The risk characteristics of the Class B VFN, the Class C VFN and the Class D VFN differ from those of the Class A1 Notes generally.

The Co-op in its capacity, *inter alios*, as initial purchaser of £1,125,000,000 of the Class A1 Notes, and subscriber of £900,000,000 of the Class B1 VFN, £290,000,000 of the Class B2 VFN, £290,000,000 of the Class C VFN and £2,750,000,000 of the Class D VFN will have certain rights to direct the Note Trustee from refraining from consenting or consenting to certain Basic Terms Modifications.

The Co-op may exercise its rights in a manner that may be prejudicial to other Noteholders. The Co-op will enter into a securities lending transaction with an affiliate of J.P. Morgan Securities Ltd. in respect of not less than £750,000,000 of the Class A1 Notes that the Co-op will purchase on the Closing Date (the **Securities Lending Transaction**).

J.P. Morgan Securities Ltd. (or its affiliates), in its capacity as initial purchaser of £1,000,000,000 of the Class A1 Notes (the **Initial Purchase Notes**) and as securities lending counterparty with respect to the Class A1 Notes held by it pursuant to the Securities Lending Transaction, may exercise voting rights in respect of the Class A1 Notes held by it in a manner that may be prejudicial to other Noteholders. J.P. Morgan Securities Ltd. will be the sole Lead Manager in respect of the Initial Purchase Notes.

£375,000,000 of the Class A1 Notes initially subscribed for by J.P. Morgan Securities Ltd. and HSBC Bank plc as Joint Lead Managers will be sold to third-party investors.

Save as disclosed in this Prospectus, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered to persons (other than U.S. Persons) (each as defined in Regulation S) outside the United States in reliance on Regulation S under the Securities Act.

Arranger
J.P. Morgan

Joint Lead Managers
J.P. Morgan HSBC

The date of this Prospectus is 22 February 2010

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDERS, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE AGENT BANK, THE REGISTRAR, THE VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDERS, THE ARRANGER, THE JOINT LEAD MANAGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE AGENT BANK, THE REGISTRAR, THE VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.

The Class A1 Notes will be represented on issue by a global note in registered form (the **Global Note**). The Class B1 VFN, the Class B2 VFN, the Class C VFN and the Class D VFN will each be issued in dematerialised registered form and no certificate evidencing entitlement to the Class B VFN, the Class C VFN or the Class D VFN will be issued. The Class A1 Notes may be issued in definitive registered form under certain circumstances.

The Issuer will maintain a register, to be kept by the Registrar, in which it will register the Global Note in the name of a nominee for the common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as owner of the Global Note. Transfers of all or any portion of the interests in the Global Note may be made only through the register maintained by the Issuer. Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Note (**Book-Entry Interests**). Book-Entry Interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. Except in the limited circumstances described under "*Description of the Notes — Issuance of Definitive Notes*", the Notes will not be available in definitive form (the **Definitive Notes**). Definitive Notes will be issued in registered form only.

The Issuer will also maintain a register, to be kept on the Issuer's behalf by the VFN Registrar, in which the Class B VFN, the Class C VFN and the Class D VFN will be registered in the name of the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder respectively. Transfers of all or any portion of the interest in the Class B VFN and/or the Class C VFN and/or the Class D VFN may be made only through the register maintained by the Issuer.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR THE JOINT LEAD MANAGERS THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR THE JOINT LEAD MANAGERS WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF

THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE ARRANGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

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 MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) (**U.S. PERSONS**) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

EACH OF THE CO-OP AND THE JOINT LEAD MANAGERS AND EACH SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

NONE OF THE ISSUER OR THE ARRANGER OR THE JOINT LEAD MANAGERS MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE CO-OPERATIVE BANK P.L.C.*", "*THE LOANS*", "*CHARACTERISTICS OF THE PORTFOLIO*" AND "*CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CO-OPERATIVE BANK P.L.C. (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK P.L.C. AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY CAPITA TRUST COMPANY LIMITED AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE, THE ARRANGER, THE JOINT LEAD MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR THE JOINT LEAD MANAGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER, THE JOINT LEAD MANAGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR THE SECURITY TRUSTEE OR THE ARRANGER MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER, THE JOINT LEAD MANAGERS OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER OR ANY OTHER PERSON BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

IN THIS PROSPECTUS ALL REFERENCES TO **POUNDS, STERLING, GBP** AND **£** ARE REFERENCES TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (THE **UNITED KINGDOM** or **UK**). REFERENCES IN THIS PROSPECTUS TO **€**, **EUR** AND **EURO** ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AS AMENDED FROM TIME TO TIME.

Forward-Looking Statements

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. Neither the Arranger nor the Joint Lead Managers has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Arranger nor the Joint Lead Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

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PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

The following is an overview of the parties and the principal features of the Notes, the Loans and their Related Security and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

You should read the entire Prospectus carefully, especially the risks of investing in the Notes discussed under "Risk Factors".

Capitalised terms used, but not defined, in certain sections of this Prospectus, including this overview, may be found in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.

The Parties and Principal Features of the Transaction

Closing Date: On or about 25 February 2010.

Issuer: Silk Road Finance Number One PLC is a public limited company incorporated under the laws of England and Wales with registered number 7125906 (the **Issuer**). The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership. The Issuer was established as a special purpose entity for the purpose of, *inter alia*, issuing the Notes (as defined below) and using the gross proceeds of the Class A1 Notes and the Class B1 VFN to acquire the Initial Portfolio from the Seller.

Holdings: Silk Road HoldCo Limited is a private limited company incorporated under the laws of England and Wales with registered number 7125963 (**Holdings**). The issued share capital of Holdings is held by Capita Trust Nominees No. 1 Limited as share trustee (the **Share Trustee**) under the terms of a discretionary trust for discretionary purposes.

Seller: The Co-operative Bank p.l.c. is a public limited company incorporated under the laws of England and Wales under Companies Act 1985 (registered number 00990937) (the **Co-op**).

The Co-op (in such capacity, the **Seller**) will enter into a mortgage sale agreement with, *inter alios*, the Issuer, the Servicer and the Security Trustee on the Closing Date (the **Mortgage Sale Agreement**). On the Closing Date, the Seller will sell its Loans comprising the Initial Portfolio to the Issuer pursuant to the terms of the Mortgage Sale Agreement.

On any Business Day occurring during the period after the Closing Date to the earlier to occur of (a) an Event of Default and (b) 25 August 2010, being six months after the Closing Date (the **Further Sale Period End Date** and such period the **Further Sale Period**), the Seller may sell New Portfolios to the Issuer subject to the satisfaction of certain conditions (see further "*Terms and Conditions of the Notes – Condition 16 Further Class A1 Notes and New Class A Notes*"). The Issuer will use the proceeds of the issue of any New Class A Notes or Further Class A1 Notes towards the purchase the New Portfolios from the Seller.

Any sale of a New Portfolio to the Issuer must meet the Eligibility Criteria (see the "*Eligibility Criteria*" section below) and the New Loan Conditions for the issue of Further Class A1 Notes and/or New Class A Notes set out in Condition 16 (see the "*Conditions to the issue of Further Class A1 Notes and New Class A Notes*" section below).

The Notes:

See: "*Key Characteristics of the Notes*" below.

The Class A1 Notes will be issued in registered form and the Class B VFN, the Class C VFN and Class D VFN will be issued in dematerialised form. Each Class of Notes will be issued pursuant to Regulation S and the Class A1 Notes will be cleared through Euroclear and/or Clearstream, Luxembourg as set out in "*Description of the Notes*" below.

The Issuer shall be at liberty during the Further Sale Period, without the consent of the Noteholders, to create and issue Further Class A1 Notes and New Class A Notes subject to and in accordance with the New Loan Conditions set out in Condition 16 (*Further Class A1 Notes and New Class A Notes*).

Meetings of Noteholders:

The Trust Deed will contain provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class, to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Conditions or the provisions of any of the Transaction Documents.

The Co-op will not have any voting rights in respect of the Class A1 Notes (unless it holds all of the Class A1 Notes). For so long as Co-op is Floating Interest Rate Swap Provider or holds any interest in any of the Class B VFN, Class C VFN and Class D VFN (if funded), the Co-op will have the right to direct the Note Trustee to (a) refrain from consenting to (following a Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) or (b) consent to (following a Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) the:

- (a) modification of the amount of principal or the rate of interest payable or, where applicable, a modification of the method of calculating the amount payable of any principal or interest in respect of the Notes;
- (b) modification of the date of payment of principal or interest or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes;
- (c) modification of the date of maturity of any Notes; and
- (d) alteration of the currency in which payments under the Notes are to be made,

(together the **Co-op Consent Rights**), and the Note Trustee shall not, and shall not be bound to, agree or consent to any such changes unless directed by the Co-op to do so, provided that if the Co-op fails to direct the Note

Trustee within the time period set out in the Trust Deed, then, after the expiry of such period, the Note Trustee may agree or consent to such changes without the consent of the Co-op.

Collateral:

Mortgage loans that were originated by the former Britannia Building Society and mortgage loans originated from time to time by the Co-op under what is currently known as the Britannia brand as at the Closing Date in respect of certain Loans comprised in the Closing Date Portfolio, in either case, as at the Closing Date on Britannia branded Standard Documentation from time to time.

Servicer:

The Co-op (in such capacity, the **Servicer**) will enter into a servicing agreement with, *inter alios*, the Issuer, the Seller and the Security Trustee on or about the Closing Date (the **Servicing Agreement**). Pursuant to the terms of the Servicing Agreement, the Servicer will service the Loans sold by the Seller to the Issuer that comprise the Portfolio on behalf of the Issuer.

Cash Manager:

The Co-op (in such capacity, the **Cash Manager**) will enter into a cash management agreement with the Issuer and the Security Trustee on or about the Closing Date (the **Cash Management Agreement**). The Cash Manager will act as agent for the Issuer to manage all cash transactions and maintain certain ledgers on behalf of the Issuer.

Note Trustee:

Capita Trust Company Limited (in such capacity, the **Note Trustee**), will be appointed pursuant to a trust deed (the **Trust Deed**) to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Note Trustee to hold, *inter alia*, the Issuer's covenant to pay amounts due in respect of the Notes on trust for the holders of the Notes as trustee (the **Noteholders**).

Security Trustee:

Capita Trust Company Limited (in such capacity, the **Security Trustee**), will be appointed pursuant to a deed of charge (the **Deed of Charge**) to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Security Trustee. The Security Trustee will hold the security to be granted by the Issuer under the Deed of Charge for the benefit of, the Secured Creditors including, the Noteholders and will be entitled to enforce the security granted in its favour under the Deed of Charge subject to and pursuant to the terms of the Trust Deed, the Conditions of the Notes and the Deed of Charge.

Co-op Fixed Interest Rate Swap Provider and JPMSL Fixed Interest Rate Swap Provider:

The recent decision of the US Bankruptcy Court in *re Lehman Brothers Holdings Inc. and Lehman Brothers Special Financing Inc. v BNY Corporate Trustee Services Ltd* (the **US Lehman Decision**) has raised concerns on the part of the Rating Agencies with regard to the assignment of AAA/Aaa ratings to mortgage-backed securities where US entities, or entities with a US nexus, act as swap counterparties. While the US Lehman Decision concerns a US incorporated swap counterparty, Fitch is currently assessing the implications of the US Lehman Decision to its assignment of AAA ratings to mortgage-backed securities having an entity with a US connection in respect of its ultimate ownership structure as a swap counterparty.

Moody's have issued a press release stating that the US Lehman Decision may have far reaching implications for structured finance transactions; however the impact on each security will depend on multiple factors and

requires deliberate and case specific analysis.

If on or prior to the Closing Date, the Rating Agencies determine that the appointment of J.P. Morgan Securities Ltd. (**JPMSL**) as swap counterparty will not affect their respective assignment of an AAA/Aaa rating to the Class A1 Notes, JPMSL will enter into a fixed interest rate swap agreement with the Issuer (the **Closing Date JPMSL Fixed Interest Rate Swap Agreement**) on the Closing Date pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (the **Closing Date JPMSL Fixed Interest Rate Swap**).

If on or prior to the Closing Date, the Rating Agencies determine that they are not in a position to assign an AAA/Aaa rating to the Class A1 Notes as at the Closing Date if JPMSL were to be appointed as the fixed interest rate swap provider, the Co-op (in such capacity, the **Co-op Fixed Interest Rate Swap Provider**) will enter into a fixed interest rate swap agreement (the **Co-op Fixed Interest Rate Swap Agreement**) on the Closing Date pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (the **Co-op Fixed Interest Rate Swap**). The Issuer will also enter into a fixed interest rate swap agreement (the **Substitute JPMSL Fixed Interest Rate Swap Agreement** and together with the Closing Date JPMSL Fixed Interest Rate Swap Agreement, the **JPMSL Fixed Interest Rate Swap Agreements**) with JPMSL (in such capacity, the **JPMSL Fixed Interest Rate Swap Provider**), which will, as at the Closing Date, have a notional balance of zero (the **Substitute JPMSL Fixed Interest Rate Swap** and together with the Closing Date JPMSL Fixed Interest Rate Swap, the **JPMSL Fixed Interest Rate Swaps**). The Closing Date JPMSL Fixed Interest Rate Swap Agreement and the Substitute JPMSL Fixed Interest Rate Swap Agreement will have substantially the same terms.

On the Closing Date, JPMorgan Chase Bank, National Association (the **JPMSL Fixed Interest Rate Swap Guarantor**) will issue a guarantee (the **Fixed Interest Rate Swap Guarantee**) under which it guarantees the timely payment of all amounts owing by the JPMSL Fixed Interest Rate Swap Provider under the relevant JPMSL Fixed Interest Rate Swap Agreement.

If the Co-op is appointed as the Fixed Interest Rate Swap Provider on the Closing Date, during the period from the Closing Date to 15 December 2010 (the **Swap Notional Transfer Period**) either the Co-op in its capacity as Co-op Fixed Interest Rate Swap Provider or JPMSL in its capacity as JPMSL Fixed Interest Rate Swap Provider may, on any Business Day, give notice to the other, with a copy to the Issuer and the Security Trustee, and direct such other party to designate as of the Effective Date (as that term is defined in the Substitute JPMSL Fixed Interest Rate Swap Agreement), and provided that the then current ratings assigned by Moody's and Fitch to the Class A1 Notes will not be withdrawn, downgraded or put on negative watch as a result of such action and certain other conditions precedent are met, the notional balance of the Substitute JPMSL Fixed Interest Rate Swap Agreement be increased from zero to the Fixed Loan Balance (as defined below) with effect from the Interest Payment Date immediately following the date on which such notice is effective (the **Substitution Date**) and the Fixed

Loan Balance of the Co-op Fixed Interest Rate Swap shall be reduced to zero on the date such increase becomes effective.

If the Co-op is appointed as the Fixed Interest Rate Swap Provider on the Closing Date, during the Swap Notional Transfer Period, if the Co-op Fixed Interest Rate Swap Provider is downgraded to A3 by Moody's or below and the appointment of JPMSL as fixed interest rate swap provider would result in the then current ratings assigned by Moody's and Fitch to the Class A1 Notes to be withdrawn, downgraded or put on negative watch, the Co-op Fixed Interest Rate Swap Provider will be entitled to appoint a replacement fixed interest rate swap provider (a **Replacement Fixed Interest Rate Swap Provider** and, together with the Co-op Fixed Interest Rate Swap Provider and the JPMSL Fixed Interest Rate Swap Provider, the **Fixed Interest Rate Swap Providers**, as applicable) to act in connection with the transaction subject to certain conditions being met.

After the conclusion of the Swap Notional Transfer Period and provided the notional balance of the JPMSL Fixed Interest Rate Swap is zero, JPMSL will no longer be obliged to act as JPMSL Fixed Interest Rate Swap Provider in accordance with the terms of the Substitute JPMSL Fixed Interest Rate Swap Agreement and the Co-op Fixed Interest Rate Swap Provider will be entitled to appoint a Replacement Fixed Interest Rate Swap Provider which may or may not be JPMSL.

The Security Trustee will not withhold its consent to the termination of the relevant Fixed Interest Rate Swap Agreement and the appointment of a Replacement Fixed Interest Rate Swap Provider provided, *inter alia*, the terms of the replacement fixed interest rate swap are no less beneficial to the Issuer and the appointment of the Replacement Fixed Interest Rate Swap Provider will not affect the then current ratings of the Class A1 Notes. See further "*Credit Structure - 11. Interest Rate Risk for the Notes*".

No payments will be required to be made under the Substitute JPMSL Fixed Interest Rate Swap Agreement while the notional amount of the swap remains at zero.

Fixed Interest Rate Swap Agreements:

Each of the Co-op Fixed Interest Rate Swap Agreement and each of the JPMSL Fixed Interest Rate Swap Agreements will comprise an ISDA Master Agreement (including a schedule and a credit support annex thereto and one or more confirmations thereunder) (the **Fixed Interest Rate Swap Agreements**) pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (the **Fixed Interest Rate Swaps**).

In respect of each Calculation Period, the Issuer will pay to the relevant Fixed Interest Rate Swap Provider an amount calculated to be based on the Capital Balance (as defined herein) of the Fixed Rate Loans in the Portfolio determined on the last calendar day of the calendar month immediately preceding the start of that Interest Period (adjusted as described below) (the **Fixed Loan Balance**) multiplied by an annualised rate of 3.25 per cent. (the **Fixed Swap Rate**) and will receive three month Sterling LIBOR on the same balance, in each case multiplied by the day count fraction.

The Capital Balance of the Fixed Rate Loans used to calculate the amounts payable under the Fixed Interest Rate Swap will be adjusted to reflect any Rearrangements, Flexible Drawings and Further Advances and any repurchase by the Seller of any Loans in the Portfolio that were subject to Rearrangement, Flexible Drawings and Further Advances in accordance with the terms of the Mortgage Sale Agreement that take effect on the first Monthly Pool Date immediately following the commencement of the relevant Calculation Period.

The Fixed Swap Rate is a pre-determined rate and may not reflect the fixed rates of interest payable in respect of the Fixed Rate Loans in the Portfolio from time to time.

The JPMSL Fixed Interest Rate Swap Agreements may contain an option for the Issuer to reduce the notional amount of the relevant JPMSL Fixed Interest Rate Swap to zero for any Calculation Period and for all subsequent Calculation Periods by giving the JPMSL Fixed Interest Rate Swap Provider at least 5 Business Days' notice before the start of such Calculation Period.

The Co-op Fixed Interest Rate Swap Provider will be required to post collateral or obtain other forms of credit support under the Co-op Fixed Interest Rate Swap on and from the Closing Date until such date as the ratings of the Co-op Fixed Interest Rate Swap Provider are maintained at a sufficient level under the Co-op Fixed Interest Rate Swap Agreement, the Fixed Loan Balance (as defined below) of the Co-op Fixed Interest Rate Swap is reduced to zero or another suitably rated third party is appointed to act (and commences acting) as Fixed Interest Rate Swap Provider.

If the Co-op Fixed Interest Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement and such default is continuing, the Issuer may use any such Swap Collateral contributed by the Co-op Fixed Interest Rate Swap Provider as Available Revenue Receipts to provide for a Revenue Deficiency in an amount up to the Defaulted Swap Amount in accordance with the Pre-Acceleration Revenue Priority of Payments.

Floating Interest Rate Swap Provider:

On the Closing Date, the Co-op (in such capacity, the **Floating Interest Rate Swap Provider** and, together with the Fixed Interest Rate Swap Providers, the **Interest Rate Swap Providers**) will enter into an ISDA Master Agreement (including a schedule and one or more confirmations thereunder) with the Issuer (the **Floating Interest Rate Swap Agreement** and, together with the Fixed Interest Rate Swap Agreements, the **Interest Rate Swap Agreements**) pursuant to which the Issuer will hedge against the possible variance between the floating rates of interest received on the SVR Loans and Tracker Rate Loans in the Portfolio and the rates of interest payable on the Notes (the **Floating Interest Rate Swap** and, together with the Fixed Interest Rate Swaps, the **Interest Rate Swaps**).

In respect of each Calculation Period, the Issuer will pay to the Floating Interest Rate Swap Provider an amount (the **SVR Amount**) equal to the average for each Reference Date relating to that Calculation Period of the Capital Balance (as defined herein) of SVR Loans in the Portfolio

determined for such Reference Date multiplied by the applicable standard variable rate paid by the Borrowers under the Loans comprised in the Portfolio (the **SVR rate**) for such Reference Date, and the Issuer will receive from the Floating Interest Rate Swap Provider an amount equal to such aggregate principal balance of SVR Loans multiplied by three month Sterling LIBOR plus 1.90 per cent., in each case multiplied by the day count fraction.

In respect of each Calculation Period, the Issuer will pay to the Floating Interest Rate Swap Provider an amount (the **Tracker Loan Amount**) equal to the average for each Reference Date (adjusted as described below) relating to that Calculation Period of the Capital Balance of Tracker Rate Loans in the Portfolio determined for such Reference Date multiplied by the Bank of England Base Rate for such Reference Date and the Issuer will receive from the Floating Interest Rate Swap Provider an amount equal to such Capital Balance of Tracker Rate Loans multiplied by three month Sterling LIBOR minus 0.40 per cent., in each case multiplied by the day count fraction.

The Capital Balance of the Tracker Rate Loans and Loans where the SVR rate applies used to calculate the amounts payable under the Floating Interest Rate Swap will be adjusted to reflect any Rearrangements, Flexible Drawings and Further Advances and any repurchase by the Seller of any Loans that were subject to Rearrangement, Flexible Drawings and Further Advances in accordance with the terms of the Mortgage Sale Agreement that take effect on the first Monthly Pool Date following the commencement of the relevant Calculation Period.

For these purposes, **Reference Date** means, in respect of such Interest Period the last calendar day of the month immediately prior to the start of such Interest Period and the last calendar day of each of the two calendar months falling immediately following the start of such Interest Period, each as adjusted to reflect any Rearrangements, Flexible Drawings, Further Advances and any repurchases by the Seller in accordance with the Mortgage Sale Agreement that are scheduled to take effect on the Monthly Period End Date immediately following the Monthly Test Date on which such Capital Balance is determined.

Calculation Period means the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

Capital Balance means in respect of a Loan at any date the principal balance of that Loan to which the Servicer applies the relevant interest rate and on which interest on the Loan accrues.

Neither the Floating Interest Rate Swap Provider nor the Issuer will be required to post collateral in support of its respective obligations under the Floating Interest Rate Swap.

If an early termination occurs (in whole or in part) in respect of the Floating Interest Rate Swap for any reason no early termination payment shall be

due between the Floating Interest Rate Swap Provider and the Issuer, except for the net sum of all amounts which were due and payable between the Floating Interest Rate Swap Provider and the Issuer on or prior to the Early Termination Date (as defined in the Floating Interest Rate Swap Agreement) and which remain unpaid as at such Early Termination Date (**Unpaid Amounts**).

The Floating Interest Rate Swap will not contain any provisions requiring the Floating Interest Rate Swap Provider to take any remedial action (whether the provision of collateral, obtaining a guarantee or transferring the Floating Interest Rate Swap to a replacement Floating Interest Rate Swap Provider or otherwise) in any circumstances, including the decline in rating, default or insolvency of the Floating Interest Rate Swap Provider.

Yield Reserve Fund:

On the Closing Date and from time to time, the Issuer will establish and fund a yield reserve fund (the **Yield Reserve Fund**) to hold the Yield Reserve Required Amount from the proceeds of the Class C VFN Holder's subscription of the Class C VFN. Funds standing to the credit of the Yield Reserve Fund in the amount equal to the Scheduled Yield Amount will be available as Available Revenue Receipts. The Class C VFN Holder may further fund the Class C VFN to increase the Yield Reserve Fund to the Yield Reserve Required Amount as required (i) during the Further Sale Period in connection with the issuance of Further Class A1 Notes and/or New Class A Notes or (ii) in order to meet the Asset Conditions required for Further Advances, Flexible Drawings and/or Product Switches.

On the Closing Date, the Yield Reserve Fund Required Amount will be zero.

For a more detailed description of the Yield Reserve Fund see section "*Credit Structure – Yield Reserve Fund and Yield Reserve Fund Ledger*" below.

***Set-Off
Overcollateralisation
Amount:***

On the Closing Date, the Issuer will use the proceeds of the subscription for the Class B1 VFN to fund the required amount of overcollateralisation of the Class A1 Notes (being the difference between the Current Balance of the Portfolio on the Closing Date and the Principal Amount Outstanding of the Class A1 Notes). The overcollateralisation is made up of the Set-off Overcollateralisation Amount and the Non Set-Off Overcollateralisation Amount.

On the Closing Date, the **Set-Off Overcollateralisation Amount** will be 2.5 per cent. of the Current Balance of the Portfolio at the Closing Date.

After the Closing Date, the proceeds of further funding under the Class B1 VFN will be used, *inter alia*, to fund the extent to which the Set-Off Overcollateralisation Amount has increased since the Closing Date.

The proceeds of such further funding under the Class B1 VFN will be applied as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on the Interest Payment Date immediately following the Collection Period in which they were received.

For a more detailed description of the Set-Off Overcollateralisation Amount

see section "*Credit Structure – Set Off Overcollateralisation*" below.

**Non Set-Off
Overcollateralisation
Amount:**

On the Closing Date, the Issuer will use the proceeds of the subscription of the Class B1 VFN to fund the Non-Set-Off Overcollateralisation Amount.

On the Closing Date, the **Non Set-Off Over Collateralisation Amount** will be an amount equal to 11.5 per cent. of the Current Balance of the Portfolio at the Closing Date.

On the Sale Date of a New Portfolio and the issue of Further Class A1 Notes and/or New Class A Notes during the Further Sale Period, the Issuer will use the proceeds of a further funding under the Class B1 VFN such that the Overcollateralisation Percentage (taking into account the purchase of the New Portfolio) as at the issue date of such Further Class A1 Notes and/or New Class A Notes is at least equal to the Overcollateralisation Percentage on the Closing Date.

Overcollateralisation Percentage means: 1 minus the Outstanding Principal Balance of the Class A Notes divided by the Current Balance of the Portfolio.

Liquidity Reserve Fund:

The Issuer will be required to fund the Liquidity Reserve Fund in an amount up to the Liquidity Reserve Fund Required Amount which will be applied as Available Revenue Receipts to the extent necessary to pay senior expenses and interest payments on the Class A1 Notes (and, if issued, any Further Class A1 Notes and/or New Class A Notes) and the Class D VFN (if funded) in accordance with the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date.

The Liquidity Reserve Fund will be funded from time to time from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund on that date (if any).

The Liquidity Reserve Fund will be applied by the Issuer as Principal Receipts on the earlier of the Interest Payment Date falling on or prior to the Final Maturity Date and the date on which all Class A Notes have been redeemed in full.

See section "*Credit Structure Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*".

General Reserve Fund:

On the Closing Date, the Issuer will establish a general reserve fund (the **General Reserve Fund**) up to the General Reserve Required Amount from a portion of the proceeds of the Class C VFN Holder's subscription of the Class C VFN. Monies standing to the credit of the General Reserve Fund will be used as Available Revenue Receipts on each Interest Payment Date.

After the Closing Date, the General Reserve Fund will be replenished up to

the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.

Account Banks:

The Co-op will be appointed as account bank to the Issuer (in such capacity, the **Co-op Account Bank**) pursuant to the terms of a bank account agreement to be entered into by, *inter alios*, the Co-op Account Bank, the Issuer and the Security Trustee on the Closing Date (the **Co-op Bank Account Agreement**).

The Issuer will open a deposit account (the **Co-op Deposit Account**) with the Co-op Account Bank on the Closing Date.

The amount standing to the credit of the Co-op Deposit Account at any time will be limited to the Co-op Deposit Limit.

If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the BNY Mellon Deposit Account.

The Bank of New York Mellon acting through its office at One Canada Square, 40th Floor, London E14 5AL will be appointed as an account bank to the Issuer (in such capacity, the **BNY Mellon Account Bank**) pursuant to the terms of a bank account agreement to be entered into by, *inter alios*, the Issuer, the BNY Mellon Account Bank and the Security Trustee on the Closing Date (the **BNY Mellon Bank Account Agreement**). The Issuer will open a reserve account and an instant access account, which together will comprise the **BNY Mellon Deposit Account** and, together with the Co-op Deposit Account, the **Deposit Accounts** with the BNY Mellon Account Bank on the Closing Date.

Account Bank Rating means a short term unsecured, unsubordinated and unguaranteed debt rating of P-1 by Moody's and F1 by Fitch and a long term unsecured, unsubordinated and unguaranteed debt rating of A by Fitch and A2 by Moody's (if a short term rating is assigned by Moody's) or A1 by Moody's (if no short term rating is assigned by Moody's), or such other lower rating as may from time to time be specified in the most recently published Rating Agency criteria as being required to maintain the then current rating of the Class A1 Notes.

Co-op Deposit Limit means:

- (a) for so long as the short term and long term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-op are rated at least the Account Bank Rating, an unlimited amount; or
- (b) for so long as the short term and long term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-op are rated below the Account Bank Rating:
 - (A) the maximum amount of any guarantee obtained by the Co-op (in a form satisfactory to the Security Trustee) from an entity whose short term and long term (as applicable)

unsubordinated and unguaranteed debt obligations are rated Account Bank Rating; or

(B) the maximum amount of the Co-op Collateral Amount,

in each case in respect of the obligations of the Co-op in respect of the Co-op Deposit Account; or

(c) if no such guarantee or collateral amount referred to in paragraph (ii) is in place, zero.

Co-op Collateral Amount means an amount equal to the amount deposited with the BNY Mellon Account Bank in the BNY Mellon Deposit Account (and recorded on a ledger, the **Co-op Collateral Account Ledger**, from time to time on that account) by the Co-op to collateralise its obligations under the Co-op Bank Account Agreement.

Swap Collateral Account Bank:

On or about the Closing Date the Issuer will either (i) appoint a bank or banks rated at or above the Account Bank Rating to act as the account provider for any swap collateral required to be posted pursuant to the Fixed Interest Rate Swap Agreements from time to time (a **Swap Collateral Account Bank** and, together with the Co-op Account Bank and the BNY Mellon Account Bank, the **Account Banks**) pursuant to the terms of a swap collateral account bank agreement to be entered into by, *inter alios*, a Swap Collateral Account Bank, the Issuer and the Security Trustee on or about the Closing Date (the **Swap Collateral Account Bank Agreement**) and will open one or more swap collateral accounts (the **Swap Collateral Accounts**) with such Swap Collateral Account Bank or (ii) establish a ledger (the **Swap Collateral Ledger**) on the Closing Date maintained by the Cash Manager in respect of any Swap Collateral posted to the BNY Mellon Deposit Account to which it will credit and record any Swap Collateral posted under the Fixed Interest Rate Swap Agreements in accordance with the BNY Mellon Bank Account Agreement.

Variable Funding Note Holder:

The Co-op will be the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder. For a more detailed description of the VFN see the section entitled "*Transaction Overview – Variable Funding Notes*" below.

Transfer of title to the Class B VFN, the Class C VFN and the Class D VFN is subject to the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee. Title to the Class D VFN shall not pass to a new Class D VFN Holder prior to the Investor Redemption Date. For a more detailed description see Condition 2.2 (*Title*) below.

Corporate Services Provider:	Capita Trust Corporate Limited, having its principal office at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE, a private limited company incorporated in England and Wales with registered number 05322525 (in such capacity, the Corporate Services Provider) will be appointed to provide certain corporate services to the Issuer and Holdings pursuant to a corporate services agreement (the Corporate Services Agreement) to be entered into on the Closing Date by, <i>inter alios</i> , the Issuer, Holdings and the Corporate Services Provider.
Principal Paying Agent and Agent Bank:	HSBC Bank plc, will be appointed to act as principal paying agent and as agent bank (the Principal Paying Agent and the Agent Bank respectively) pursuant to an agency agreement to be entered into on the Closing Date between, <i>inter alios</i> , the Issuer, the Principal Paying Agent, the Registrar and the Agent Bank (the Agency Agreement).
Registrar:	HSBC Bank plc will be appointed to act as registrar in respect of the Class A1 Notes (the Registrar) pursuant to the Agency Agreement.
VFN Registrar:	The Co-op will be appointed to act as VFN registrar in respect of the VFN pursuant to the Agency Agreement.
Arranger:	J.P. Morgan Securities Ltd. (the Arranger).
Joint Lead Managers:	J.P. Morgan Securities Ltd. and (other than in respect of the Initial Purchase Notes) HSBC Bank plc (together the Joint Lead Managers).
Listing:	Application will be made to the UK Listing Authority to list the Class A1 Notes on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Class A1 Notes to trading on the London Stock Exchange's Regulated Market.

STRUCTURE

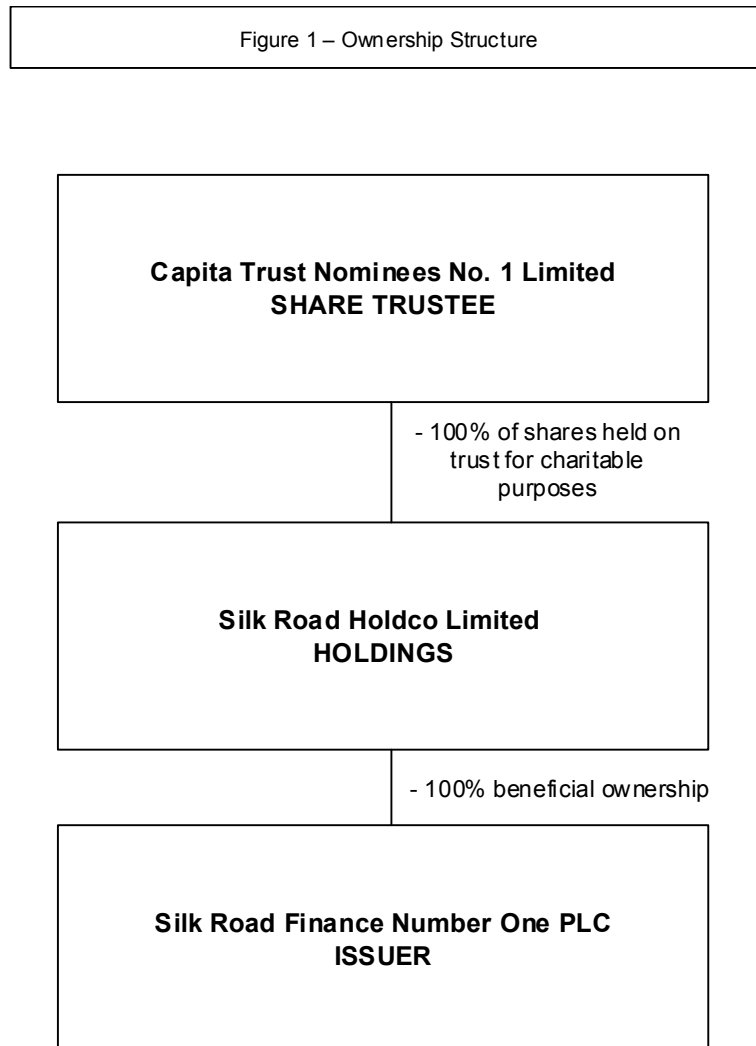


Figure 1 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings and the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

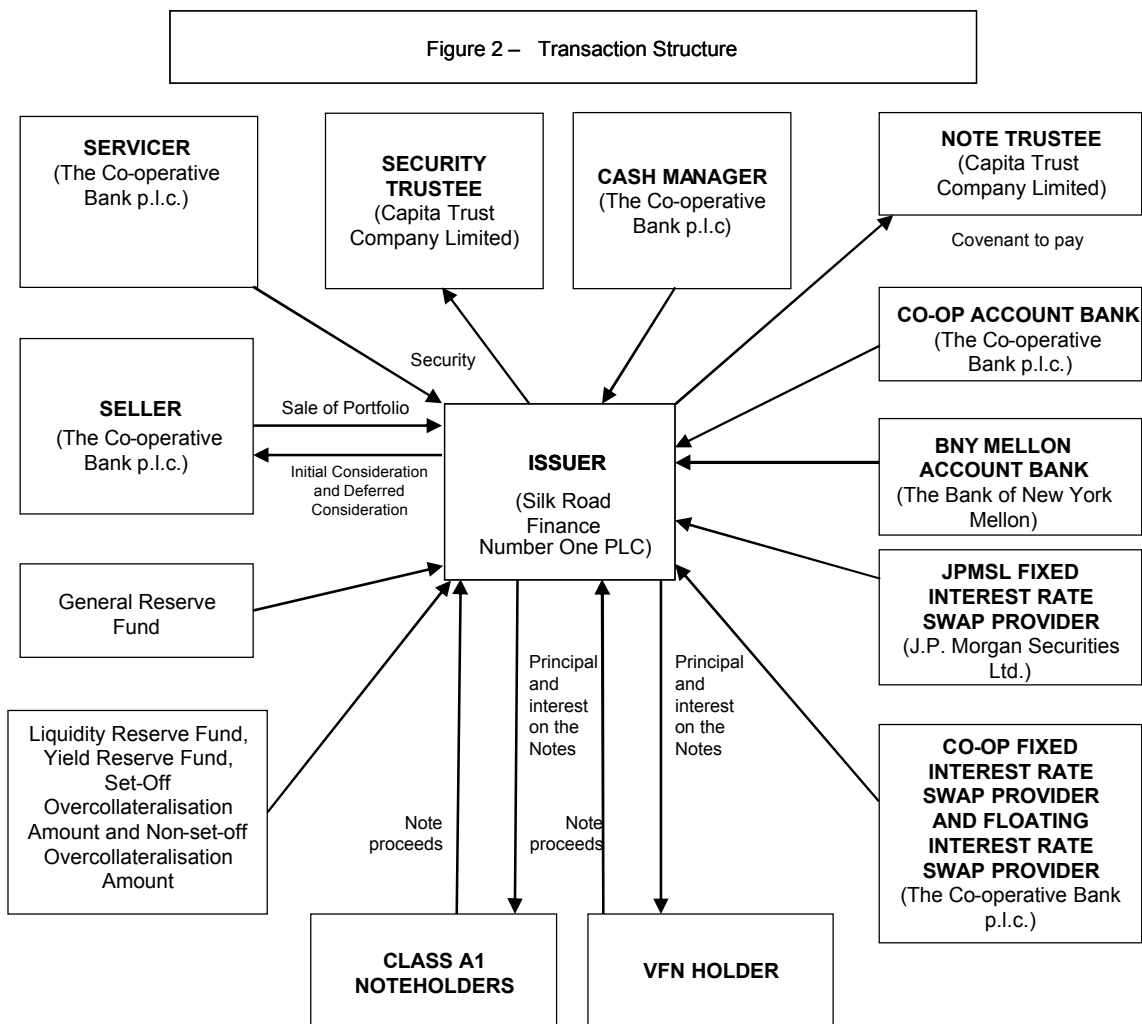


Figure 2 illustrates a brief overview of the transaction structure, as follows:

The Seller will (subject to the CCA Trust) sell the Initial Portfolio (comprising the Initial Loans, the Initial Related Security and all amounts derived therefrom) to the Issuer on the Closing Date.

The Issuer will use the proceeds of the issue of the Class A1 Notes to pay a portion of the Initial Consideration with the remaining portion of the Initial Consideration being funded using the proceeds of the Class B1 VFN. The Loans will be sold to the Issuer at a price equal to their Current Balance. The Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.

The Issuer will use:

- (a) the proceeds of the issue of the Class B1 VFN to (i) fund the Set-Off Overcollateralisation Amount on the Closing Date, (ii) fund the Non Set-Off Overcollateralisation Amount on the Closing Date, (iii) after the Closing Date, fund any increase in the Set-Off Overcollateralisation Amount, such proceeds to be applied as Available Principal Receipts in accordance with the Pre-Acceleration Principal

Priority of Payments and (iv) after the Closing Date, fund any increase in the Set-Off Overcollateralisation Amount and Non Set-Off Overcollateralisation Amount due to the issuance of Further Class A1 Notes and/or New Class A Notes;

- (b) the proceeds of the issue of the Class B2 VFN to fund (i) any Flexible Drawings Purchase Price (to the extent not funded by Retained Principal Receipts), (ii) any Further Advance Purchase Price (to the extent not funded by Retained Principal Receipts), (iii) the Rearrangement Revenue Element (as defined herein) of the purchase price of any Rearrangement (to the extent not funded by Revenue Receipts), (iv) to fund any Loan in breach of the Asset Conditions, (v) the Pre-Funded Purchase Limit and (vi) on the Closing Date, the Retained Principal Required Amount;
- (c) the proceeds of the issue of the Class C VFN to (i) establish the General Reserve Fund on the Closing Date, (ii) establish the Yield Reserve Fund on the Closing Date, (iii) increase amounts standing to the credit of the General Reserve Fund to the General Reserve Required Amount in connection with the purchase of New Portfolios during the Further Sale Period, (iv) increase the Yield Reserve Fund to the Yield Reserve Required Amount during the Further Sale Period in connection with the issuance of Further Class A1 Notes and/or New Class A Notes, (v) increase the General Reserve Fund up to the General Reserve Fund Required Amount in order to satisfy the Asset Conditions for Further Advances, Flexible Drawings and/or Product Switches, (vi) increase the Yield Reserve Fund to the Yield Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances, Flexible Drawings and/or Product Switches, (vii) fund initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, any Further Class A1 Notes and/or New Class A Notes, (viii) fund the Issuer Fee Amount (as defined herein), (ix) fund the Co-op Collateral Amount (as defined herein) and (x) fund any premiums payable under any Fixed Interest Rate Swap Agreement; and
- (d) the proceeds of the issue of the Class D VFN to fund the Maturity Redemption Amount – see further "*Transaction Overview – Investor Redemption Option at Par Minus Class A Principal Deficiency*").

The Cash Manager, on behalf of the Issuer, will, to the extent certain drawdown conditions are met, arrange for drawings under the VFN to the extent required under the Transaction Documents.

The Seller may (subject to the CCA Trust, if relevant) sell new portfolios comprised of New Loans, New Related Security and all amounts derived therefrom (**New Portfolios**) to the Issuer on any Business Day occurring during the Further Sale Period. The Issuer will use the proceeds of the issue of any Further Class A1 Notes and/or New Class A Notes (if any), together with any proceeds of the Class B1 VFN for the purchase of New Portfolios from the Seller.

Flexible Drawings and Further Advances

Subject to the satisfaction of certain conditions, the Issuer will use Retained Principal Receipts standing to the credit of the Retained Principal Receipts Ledger to purchase Flexible Drawings and Further Advances from the Seller.

If the Issuer is unable to fund the purchase of any Flexible Drawing or Further Advance from funds standing to the credit of the Retained Principal Receipts Ledger, the Issuer will use the proceeds of the Class B2 VFN to fund all or a portion of the purchase of Further Advances or Flexible Drawings under a Loan. If the Issuer is unable to fund the purchase of any Further Advance or Flexible Drawing from funds standing to the credit of the Retained Principal Receipts Ledger and the Class B2 VFN Holder fails to further fund the Class B2 VFN, the Seller will be required to repurchase the relevant Loan at its Current Balance (excluding the amount of the Further Advance or Flexible Drawing (as the case may be)) determined as at the relevant Monthly Period End Date.

The Issuer will apply Retained Principal Receipts first to purchase Flexible Drawings and thereafter to purchase Further Advances.

Rearrangements

Subject to the satisfaction of certain conditions, the Issuer will use funds standing to the credit of the Rearrangement Purchase Ledger to purchase the principal element of any Rearrangements and to the extent that such Rearrangement occurred fully or partially as a result of a Further Advance or Flexible Drawing being made on the Loan, the Issuer will use Retained Principal Receipts, and if necessary, the proceeds of the Class B2 VFN, to purchase the principal element of such Further Advance or Flexible Drawing. The Rearrangement Revenue Element of the purchase price of any Rearrangement will be funded through Revenue Receipts, or if there are insufficient Revenue Receipts to fund the purchase of the Rearrangement Revenue Element of the purchase price of any Rearrangements, the Issuer will use the proceeds of the Class B2 VFN to fund such shortfall.

Receipts on the Portfolio

The Issuer will use Available Revenue Receipts and Available Principal Receipts received in respect of the Portfolio to meet its obligations to pay, among other items, interest amounts and principal amounts to the Noteholders in accordance with, and subject to, the applicable Priority of Payment.

Deed of Charge

Pursuant to the terms of the Deed of Charge, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to its Secured Creditors, including the Noteholders.

The Notes

The Notes will be constituted by a Trust Deed made between, *inter alios*, the Note Trustee and the Issuer.

Bank Accounts

The Issuer will open the Co-op Deposit Account with the Co-op Account Bank and the BNY Mellon Deposit Account with the BNY Mellon Account Bank. The Issuer may also open the Swap Collateral Account(s) with the Swap Collateral Account Bank(s).

Interest Rate Swaps

On the Closing Date, the Issuer will either enter into the Closing Date JPMSL Fixed Interest Rate Swap Agreement with JPMSL or both the Co-op Fixed Interest Rate Swap Agreement with Co-op and the Substitute JPMSL Fixed Interest Rate Swap Agreement with JPMSL, in each case to hedge against the possible variance between fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rate of interest payable on the Notes which is calculated by reference to three month Sterling LIBOR (or, in respect of the first Interest Period for the Notes (other than the Class D VFN), the linear interpolation of LIBOR for three and four month deposits in Sterling). If the Co-op is the Fixed Interest Rate Swap Provider on the Closing Date, the Substitute JPMSL Fixed Interest Rate Swap Agreement will have a notional balance of zero.

The Issuer will enter into the Floating Interest Rate Swap with the Floating Interest Rate Swap Provider to hedge against the possible variance between various floating rates of interest received on the SVR Loans and the Tracker Loans in the Portfolio and the rate of interest payable on the Notes which is calculated by reference to three month LIBOR (or, in respect of the first Interest Period for the Notes (other than the Class D VFN), the linear interpolation of LIBOR for three and four month deposits in Sterling).

KEY CHARACTERISTICS OF THE NOTES

	Class A1 Notes	Class B1 VFN	Class B2 VFN	Class C VFN	Class D VFN
Principal Amount:	£2,500,000,000	Nominal principal amount of £900,000,000 of which £406,989,400 will be funded on the Closing Date	Nominal principal amount of £290,000,000 of which £50,000,000 will be funded on the Closing Date	Nominal principal amount of £290,000,000 of which £135,227,000 will be funded on the Closing Date	Nominal principal amount of £2,750,000,000 (being an amount equal to 1.1 times the Principal Amount Outstanding of the Class A1 Notes) of which £0 will be funded on the Closing Date
Credit enhancement and liquidity support features:	Subordination of the Class B VFN, Class C VFN, overcollateralisation, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Yield Reserve Fund	Subordination of the Class C VFN, excess Available Revenue Receipts	Subordination of the Class C VFN, excess Available Revenue Receipts	Excess Available Revenue Receipts	Subordination of the Class B VFN, Class C VFN, overcollateralisation, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund, Yield Reserve Fund
Issue Price:	100%	100%	100%	100%	100%
Interest Rate:	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin
Margin prior to the Step-Down Date:	1.40% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	N/A
Step Down Margin (from and including the Step-Down Date):	0.55% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.55% p.a.
Interest Accrual Method:	Actual/365F	Actual/365F	Actual/365F	Actual/365F	Actual/365F
Interest Payment Dates:	The Interest Payment Dates falling in March, June, September and December in each year.	The Interest Payment Dates falling in March, June, September and December in each year.	The Interest Payment Dates falling in March, June, September and December in each year.	The Interest Payment Dates falling in March, June, September and December in each year.	The Interest Payment Dates falling in March, June, September and December in each year.
First Interest Payment Date:	21 June 2010	21 June 2010	21 June 2010	21 June 2010	If drawn, the Interest Payment Date falling in June 2015
Final Maturity Date:	The Interest Payment Date falling in December 2052	The Interest Payment Date falling in December 2052	The Interest Payment Date falling in December 2052	The Interest Payment Date falling in December 2052	The Interest Payment Date falling in December 2052
Investor Redemption Option at Par minus AAA Principal Deficiency:	Applicable	N/A	N/A	N/A	N/A
Step-Down Date:	The Interest Payment Date falling in March	N/A	N/A	N/A	N/A

	Class A1 Notes	Class B1 VFN	Class B2 VFN	Class C VFN	Class D VFN
Application for Exchange Listing:	2015 London	Not listed	Not listed	Not listed	Not listed
ISIN:	XS0488420893	N/A	N/A	N/A	N/A
Common Code:	048842089	N/A	N/A	N/A	N/A
Ratings (Fitch / Moody's):	AAA/Aaa	Not rated	Not rated	Not rated	Not rated
Initial purchasers:	The Co-op in respect of £1,125,000,000 of which not less than £750,000,000 will be used for the purposes of entering into a Securities Lending Transaction with an affiliate of JPMSL. A further £1,000,000,000 will be purchased by an affiliate of JPMSL and a further £375,000,000 will be purchased by JPMSL and HSBC Bank plc to be sold to third parties. ¹	The Co-op	The Co-op	The Co-op	The Co-op

¹ Commissions and Forward Commitment:

In respect of the £1,375,000,000 Class A1 Notes underwritten by JPMSL, the total commission and concession to be paid by the Issuer to JPMSL for acting as Joint Lead Manager shall be an amount equal to £5,406,250. The total commission and concession to be paid by the Issuer to HSBC Bank plc for acting as Joint Lead Manager shall be an amount equal to £656,250.

In respect of the £1,000,000,000 Class A1 Notes an affiliate of JPMSL intends to purchase on the Closing Date, JPMSL entered into a forward commitment to underwrite such Class A1 Initial Purchase Notes based upon the prevailing market on 4 February 2010 and will receive a payment as remuneration for this commitment.

TRANSACTION OVERVIEW

This transaction overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.

<p>Status and Form of the Notes:</p>	<p>The Issuer will issue the following classes of the Notes on the Closing Date under the Trust Deed:</p> <ul style="list-style-type: none">• Class A1 Mortgage Backed Floating Rate Notes due 2052 (the Class A1 Notes);• Class B1 VFN (as defined below);• Class B2 VFN (as defined below);• Class C VFN (as defined below); and• Class D VFN (as defined below), <p>and together, the Class A1 Notes, the Class B VFN, the Class C VFN and the Class D VFN, are the Notes and the holders thereof, the Noteholders.</p> <p>The Class A1 Notes and the Class D VFN (if funded) will rank <i>pari passu</i> and <i>pro rata</i> as to payments of interest and principal ahead of the Class B VFN and the Class C VFN at all times. The Class B1 VFN and the Class B2 VFN will rank <i>pari passu</i> and <i>pro rata</i> as to payments of interest and principal and will rank ahead of the Class C VFN at all times.</p> <p>The Notes within each Class will rank <i>pari passu</i> and rateably without any preference or priority among themselves as to payments of principal and interest at all times.</p> <p>Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Amounts due in respect of the Class A1 Notes and the Class D VFN (if funded) will rank in priority to amounts due in respect of the Class B VFN and the Class C VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to the Notes.</p> <p>The Issuer shall be at liberty during the Further Sale Period, without the consent of the Noteholders, to create and issue Further Class A1 Notes and/or New Class A Notes subject to and in accordance with the Conditions of the Notes.</p> <p>Any such Further Class A1 Notes or New Class A Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by the Deed of Charge. Any of the Transaction Documents may be amended as provided in the Conditions or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Class A1 Notes or New Class A Notes subject to the consent of each of the Secured Creditors and the claims of any of the parties to any amended Transaction Document or any further Transaction Document may, subject as further provided in the Conditions, rank ahead of, <i>pari passu</i> with, or behind any</p>
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	<p>class or classes of the Notes.</p> <p>The Class A1 Notes will be issued in registered form. The Class B VFN, the Class C VFN and the Class D VFN will be issued in dematerialised registered form. Each Class of Notes will be issued pursuant to Regulation S and, the Class A1 Notes will be cleared through Euroclear and/or Clearstream, Luxembourg as set out in "<i>Description of the Notes</i>" below.</p> <p>Further Class A1 Notes means the Class A1 Notes that the Issuer may issue, during the Further Sale Period, in order to raise further funds which have the same terms and conditions as the Class A1 Notes so that the same shall be consolidated and form a single series and rank <i>pari passu</i> with such class of the Notes.</p> <p>New Class A Notes means the Class A Notes (including any Non-Sterling Class A Notes) that the Issuer may issue, during the Further Sale Period, in order to raise further funds which may have terms and conditions which differ from the Class A1 Notes and which do not form a single series with the Class A1 Notes and will form a new sub-class of Class A Notes. The New Class A Notes, will rank <i>pari passu</i> with the Class A1 Notes.</p>
<p>Conditions to the issue of Further Class A1 Notes and New Class A Notes:</p>	<p>The following conditions (the New Loan Conditions) shall be confirmed by the Issuer in writing to the Note Trustee:</p> <ul style="list-style-type: none"> (a) that the total value of the Further Class A1 Notes and/or any New Class A Notes to be issued on the same date is at least £100,000,000 (or equivalent); (b) that the aggregate value of all Further Class A1 Notes and New Class A Notes (including those already issued and those to be issued) does not exceed £500,000,000 (or equivalent); (c) any Further Class A1 Notes and/or New Class A Notes are assigned the same ratings as are then applicable to the Class A1 Notes and such Further Class A1 Notes to be consolidated and form a single series with the Class A1 Notes; (d) in connection with the issue of any New Class A Notes, such New Class A Notes will rank <i>pari passu</i> and <i>pro rata</i> with the Class A1 Notes and will have different terms and conditions from the Class A1 Notes and will not form a single series with the Class A1 Notes; (e) in connection with the issue of any Further Class A1 Notes such Further Class A1 Notes will rank <i>pari passu</i> and <i>pro rata</i> with the Class A1 Notes already issued and have the same terms and conditions to the Class A1 Notes (except to first interest period); (f) written confirmation has been received from each of the Rating Agencies that the ratings of the Class A1 Notes at that time outstanding will not be downgraded, withdrawn or qualified as a result of such issue of Further Class A1 Notes and/or New Class A Notes and no downgrade, withdrawal or qualification to the ratings of the outstanding Class A1 Notes has occurred since the Closing Date;

	<p>(g) in connection with the issue of any New Class A Notes which are not denominated in Sterling, appropriate currency hedging arrangements are entered into;</p> <p>(h) the Overcollateralisation Percentage at the issue date of the Further Class A1 Notes and/or New Class A Notes (taking into account such Further Class A1 Notes and/or New Class A Notes issued as at that issue date and the sale of any New Portfolio on such issue date) is greater than or equal to the Overcollateralisation Percentage on the Closing Date;</p> <p>(i) the General Reserve Fund Percentage at the issue date of the Further Class A1 Notes and/or New Class A Notes (taking into account the sale of any New Portfolio on such issue date) is greater than or equal to the General Reserve Fund Percentage on the Closing Date and the General Reserve Fund is increased, if required, to the General Reserve Required Amount;</p> <p>(j) the Final Maturity Date and the Step-Down Date of the Further Class A1 Notes and/or New Class A Notes shall be the same as for the Class A1 Notes;</p> <p>(k) on or prior to the issue date of the Further Class A1 Notes and/or New Class A Notes, the Yield Reserve Fund has been increased so that amounts standing to the credit of the Yield Reserve Fund are greater than or equal to the Yield Reserve Required Amount;</p> <p>(l) the Loans comprised in the New Portfolio are randomly selected from the Closing Date Portfolio and satisfy the Rating Agency Tests on the Sale Date;</p> <p>(m) there has been no failure which is continuing by the Seller of its obligations to repurchase any Loan pursuant to the Mortgage Sale Agreement at any time prior to the issuance of any Further Class A1 Notes and/or New Class A Notes;</p> <p>(n) no Event of Default has occurred and is continuing;</p> <p>(o) no Seller Insolvency Event has occurred;</p> <p>(p) an amount equal to the aggregate principal amount of such Further Class A1 Notes and/or New Class A Notes will be applied by the Issuer to fund a portion of the Initial Consideration of any New Portfolio from the Seller pursuant to the terms of the Mortgage Sale Agreement and all conditions for the purchase of any New Portfolio are met; and</p> <p>(q) application will be made, in respect of the Further Class A1 Notes and/or New Class A Notes for such notes to be admitted to trading on the London Stock Exchange's Regulated Market and listed on the official list of the UK Listing Authority or, if the Class A1 Notes then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Class A1 Notes then issued are then admitted to trading.</p>
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	<p>General Reserve Fund Percentage means the balance of the General Reserve Fund divided by the Current Balance of the Portfolio.</p>
<p>Variable Funding Notes:</p>	<p>The Issuer will issue the Class B1 variable funding note (the Class B1 VFN), the Class B2 variable funding note (the Class B2 VFN, and, together with the Class B1 VFN, the Class B VFN), the Class C variable funding note (the Class C VFN) and the Class D variable funding note (the Class D VFN, and, together with the Class B VFN and the Class C VFN, the VFN) on the Closing Date.</p> <p>The Class B1 VFN will have a maximum principal amount of £900,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class B1 VFN (the Class B1 VFN Holder) and notified to the Note Trustee (the Maximum B1 VFN Amount), that can be funded by the Class B1 VFN Holder at the request of the Issuer.</p> <p>The Class B2 VFN will have a maximum principal amount of £290,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class B2 VFN (the Class B2 VFN Holder, and, together with the Class B1 VFN Holder, the Class B VFN Holder) and notified to the Note Trustee (the Maximum B2 VFN Amount, and, together with the Maximum B1 VFN Amount, each a Maximum B VFN Amount), that can be funded by the Class B2 VFN Holder at the request of the Issuer.</p> <p>The Class C VFN will have a maximum principal amount of £290,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class C VFN (the Class C VFN Holder) and notified to the Note Trustee (the Maximum C VFN Amount), that can be funded by the Class C VFN Holder at the request of the Issuer.</p> <p>The Class D VFN will have a maximum principal amount equal to 1.1 multiplied by the Principal Amount Outstanding of the Class A Notes as at the Closing Date or such other amount as may be agreed from time to time by the Issuer and the holder of the Class D VFN (the Class D VFN Holder, and, together with the Class C VFN Holder and the Class B VFN Holder, each a VFN Holder) such amount to be notified to the Note Trustee (the Maximum D VFN Amount, and, together with the Maximum C VFN Amount Maximum B VFN Amount, each a Maximum VFN Amount), that can be funded by the Class D VFN Holder at the request of the Issuer. The Maximum D VFN Amount will be increased by the Issuer to 1.1 times the total Principal Amount Outstanding of the Class A Notes if any Further Class A1 Notes or New Class A Notes are issued. The Class D VFN will be initially subscribed for by The Co-operative Bank p.l.c. and will not be transferable prior to the Investor Redemption Date (subject to the transfer provisions set forth in Condition 2.2 (<i>Title</i>)).</p> <p>The commitment of the VFN Holder in respect of each of the Class B VFN, the Class C VFN and the Class D VFN will be extinguished on the earlier to occur of:</p> <ul style="list-style-type: none"> (a) December 2052; (b) an Event of Default; and (c) in respect of the Class D VFN only, the day following the Investor

	<p>Redemption Date, (the VFN Commitment Termination Date).</p> <p>The maximum principal amount outstanding under the Class B VFN, the Class C VFN and the Class D VFN shall not exceed the Maximum Class B VFN, the Maximum Class C VFN and the Maximum Class D VFN, respectively.</p> <p>If the Maximum VFN Amount in relation to the Class B VFN and the Class C VFN has been drawn and, in accordance with the Conditions, the Issuer repays some of the principal due on such VFN, such repaid principal amount will be available to be redrawn by the Issuer up to the relevant Maximum VFN Amount. If the Issuer repays some of the principal due on the Class D VFN, such repaid principal amount will not be available to be redrawn by the Issuer.</p>
<p>Security:</p>	<p>Pursuant to a deed of charge to be entered into between, <i>inter alios</i>, the Issuer and the Security Trustee (the Deed of Charge) on the Closing Date, the Notes will be secured by, <i>inter alia</i>, the following security (the Security):</p> <ul style="list-style-type: none"> (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein); (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans, the Mortgages and their other Related Security and other related rights comprised in the Portfolio; (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement; (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof; (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge. <p>See "<i>Summary of the Key Transaction Documents - Deed of Charge</i>" below.</p>

<p>Priority of Payments:</p>	<p>On each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager will apply, or cause to be applied:</p> <ul style="list-style-type: none"> (a) Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments; and (b) Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. <p>See "<i>Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer</i>" and "<i>Cashflows – Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer</i>", below.</p> <p>Following service of a Note Acceleration Notice on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts available for such purpose in accordance with the Post-Acceleration Priority of Payments.</p> <p>See "<i>Cashflows – Distribution of Available Revenue Receipts and Available Principal Receipts following to the service of a Note Acceleration Notice on the Issuer</i>", below.</p>
<p>Interest payable on the Notes:</p>	<p>The interest rates applicable to the Class A1 Notes, the Class B1 VFN, the Class B2 VFN, the Class C VFN and the Class D VFN from time to time will be determined by reference to the London Interbank Offered Rate (LIBOR) for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01 (Three-Month Sterling LIBOR) (other than the first Interest Period for the Notes (except the Class D VFN), which will be determined by reference to a linear interpolation of three months and four months) plus, in each case, a margin for each Class of Notes as specified below (the Relevant Margin). Three-Month Sterling LIBOR will be determined on the first day for which the relevant interest rate will apply (the Sterling Interest Determination Date).</p> <p>On the Interest Payment Date falling in March 2015 (the Step-Down Date) and thereafter, a lower interest amount will be payable by the Issuer with respect to each of the Class A1 Notes . See "<i>Step-Down Margins</i>", below.</p> <p>Relevant Margin means:</p> <ul style="list-style-type: none"> (a) prior to the Step-Down Date, in respect of each Class of the Notes the following per cent. per annum: <ul style="list-style-type: none"> (i) in respect of the Class A1 Notes, 1.40 per cent. per annum (the Class A1 Margin); (ii) in respect of the Class B1 VFN, 0.21 per cent. per annum (the Class B1 Margin); (iii) in respect of the Class B2 VFN, 0.21 per cent. per annum (the Class B2 Margin); (iv) in respect of the Class C VFN, 0.21 per cent. per annum (the

Class C Margin); and

(b) on and after the Step-Down Date the Step-Down Margin.

Step-Down Margin means, from and including the Step-Down Date:

- (a) in respect of the Class A1 Notes, 0.55 per cent. per annum;
- (b) in respect of the Class B1 VFN, the Class B1 Margin;
- (c) in respect of the Class B2 VFN, the Class B2 Margin;
- (d) in respect of the Class C VFN, the Class C Margin; and
- (e) in respect of the Class D VFN, 0.55 per cent. per annum.

Interest is payable in respect of the Class A1 Notes, the Class B1 VFN, the Class B2 VFN, the Class C VFN and the Class D VFN in Sterling. In respect of each class of Notes, interest is payable quarterly in arrear on the 21st day of March, June, September and December, in each year, or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**).

The first Interest Payment Date will be 21 June 2010.

An **Interest Period** in relation to a Note is the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes (other than the Class D VFN), where it shall be the period from (and including) the Closing Date and in the case of the first Interest Period for the Class D VFN, where it shall be the period from (and including) the Interest Payment Date falling in March 2015) to (but excluding) the next succeeding (or first) Interest Payment Date for that Note.

Interest payments on the Class B VFN will be subordinated to interest payments on the Class A1 Notes and the Class D VFN and interest payments on the Class C VFN will be subordinated to interest payments on the Class A1 Notes, the Class D VFN and the Class B VFN (see "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer — Pre-Acceleration Revenue Priority of Payments*" below).

This means that the Class B VFN Holder will not be entitled to receive any payment of interest unless and until all amounts of interest then due to holders of the Class A1 Notes (the **Class A1 Noteholders**) and the Class D VFN Holder have been paid in full and the Class C VFN Holder will not be entitled to receive any payment of interest unless and until all amounts of interest then due to the Class A1 Noteholders, Class D VFN Holder and the Class B VFN Holder have been paid in full.

Subject as set out below, if on any Interest Payment Date prior to service of a Note Acceleration Notice on the Issuer, after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, the Issuer has insufficient funds to make payment in full of all amounts of interest (including accrued interest thereon) payable in respect of the Class B VFN and/or the Class

	<p>C VFN, any shortfall in the amount of interest due will not then be paid on such Interest Payment Date but will be deferred and will only be paid, in accordance with the Pre-Acceleration Revenue Priority of Payments (as described in "Cashflows" below), on subsequent Interest Payment Dates if and when permitted by any subsequent cashflow which is available after the Issuer's higher ranking liabilities have been discharged in full. Any interest not paid on the Class B VFN and/or the Class C VFN when due will accrue interest and will be paid only to the extent there are funds available on a subsequent Interest Payment Date in accordance with the relevant Priority of Payments (as described in "Cashflows" below). All deferred amounts (including interest thereon) will become immediately due and payable on the Final Maturity Date of the Class B VFN and the Class C VFN or on any earlier date that the Class B VFN or the Class C VFN are redeemed in full.</p> <p>Interest will not be deferred on the Class A1 Notes and the Class D VFN (or the Class B VFN where the Class A1 Notes and the Class D VFN have been redeemed in full or the Class C VFN where the Class A1 Notes and the Class D VFN and the Class B VFN have been redeemed in full).</p> <p>Failure to pay interest on the Class A1 Notes and the Class D VFN (or the Class B VFN where the Class A1 Notes and the Class D VFN have been redeemed in full or the Class C VFN where the Class A1 Notes and the Class D VFN and the Class B VFN have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Note Trustee giving a Note Acceleration Notice and directing the Security Trustee to enforce the Security. Failure to pay interest when due on Class B VFN where the Class A1 Notes and the Class D VFN remain outstanding will not constitute an Event of Default; failure to pay interest when due on the Class C VFN where the Class A1 Notes and the Class D VFN and/or the Class B VFN remain outstanding will not constitute an Event of Default.</p>
<p>Events of Default:</p>	<p>Upon the occurrence of any of the events set out in Condition 10 (<i>Events of Default</i>) (each an Event of Default), the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A1 Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A1 Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction) give notice (a Note Acceleration Notice) to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.</p> <p>For the avoidance of doubt, the Co-op Consent Rights shall not restrict in any way the Class A1 Noteholders' right to direct the Note Trustee to serve a Note Acceleration Notice on the Issuer after the occurrence of an Event of Default.</p>
<p>Limited Recourse:</p>	<p>Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under the Deed of Charge (the Charged Assets). If:</p> <p>(a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;</p>

	<p>(b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and</p> <p>(c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) and interest),</p> <p>then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any), interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.</p>
Final Maturity:	Unless previously redeemed in full, each class of Notes will mature on the Interest Payment Date designated as the Final Maturity Date for that class of Notes in the table titled " <i>Key Characteristics of the Notes</i> " above.
Mandatory Redemption:	On each Interest Payment Date after the Further Sale Period End Date and prior to the service of a Note Acceleration Notice, Available Principal Receipts will (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund) be applied (i) first, on a <i>pari passu</i> and <i>pro rata</i> basis to repay the Class A1 Notes and Class D VFN (if funded) until they are each repaid in full and (ii) secondly, on a <i>pari passu</i> and <i>pro rata</i> basis, to repay the Class B1 VFN and the Class B2 VFN until they are each repaid in full. The Class C VFN will be repaid on each Interest Payment Date prior to the service of a Note Acceleration Notice from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.
Optional Redemption of the Class A1 Notes in Full:	<p>Upon giving not more than 60 nor less than 10 days' notice to the Class A1 Noteholders (such notice to be given in accordance with Condition 15 (<i>Notice to Noteholders</i>) of the terms and conditions of the Notes (the Conditions)), the Note Trustee and the Interest Rate Swap Providers, and provided that:</p> <p>(a) on or prior to the Interest Payment Date on which such notice expires (the Optional Redemption Date), no Note Acceleration Notice has been served;</p> <p>(b) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A1 Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or <i>pari passu</i> with all the Class A1 Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Post-Acceleration Priority of Payments); and</p> <p>(c) the Optional Redemption Date is (i) the Interest Payment Date falling in</p>

13.4.6

	<p>March 2015 (the Expected Maturity Date) or any Interest Payment Date thereafter or (ii) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A1 Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A1 Notes on the Closing Date,</p> <p>the Issuer may redeem all (but not some only) of the Class A1 Notes on such Optional Redemption Date (See "<i>Terms and Conditions of the Notes – Condition 7.3(a) (Optional Redemption of the Class A1 Notes in Full)</i>".)</p> <p>Any Class A1 Note redeemed pursuant to Condition 7.3(a) (<i>Optional Redemption of the Class A1 Notes in Full</i>) will be redeemed at an amount equal to the Principal Amount Outstanding of the Class A1 Note together with accrued (and unpaid) interest on the Principal Amount Outstanding of the Class A1 Note up to (but excluding) the date of redemption.</p>
<p>Optional Redemption for Tax or Other Reasons:</p>	<p>Subject to the Conditions, if by reason of a change in tax law affecting the Class A1 Notes and/or the Fixed Interest Rate Swap Agreements and/or the Floating Interest Rate Swap Agreement which becomes effective on or after the Closing Date, (a) the Issuer or the Paying Agents would be required (on or before the next Interest Payment Date) to make a deduction or withholding for or on account of tax from any payment of principal or interest in respect of the Class A1 Notes and/or (b) either the Issuer or the Fixed Interest Rate Swap Providers or the Floating Interest Rate Swap Provider would be required (on or before the next Interest Payment Date) to make a withholding or deduction for or on account of tax from any payment it makes under its Fixed Interest Rate Swap Agreements and/or the Floating Interest Rate Swap Agreement, then, subject as provided in Condition 7.4 (<i>Optional Redemption for Taxation or Other Reasons</i>) the Issuer shall appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes and the Trust Deed.</p> <p>If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in the paragraph above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Fixed Interest Rate Swap Providers, the Floating Interest Rate Swap Provider and Class A1 Noteholders in accordance with Condition 15 (<i>Notice to Noteholders</i>), redeem all (but not some only) of the Class A1 Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in the paragraph above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and</p>

	<p>(b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents, the Fixed Interest Rate Swap Providers or the Floating Interest Rate Swap Provider (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Class A1 Noteholders.</p>
<p>Investor Redemption Option at Par Minus Class A Principal Deficiency:</p>	<p>If the Issuer does not redeem all of the Class A1 Notes on the Expected Maturity Date in accordance with Condition 7.3 (<i>Optional Redemption of the Class A1 Notes in Full</i>) then under the redemption arrangements referred to in Condition 7.5 (<i>Investor Redemption Option at Par minus Class A Principal Deficiency</i>) and subject to the terms of the Trust Deed and the Agency Agreement, the Issuer will agree to redeem on the Investor Redemption Date, at the Maturity Redemption Amount all of the outstanding Class A Notes held by a holder of such Class A Notes in respect of which a valid Redemption Instruction has been delivered to the relevant clearing system (the Relevant Class A Notes), provided that no Event of Default has occurred which is continuing on the Investor Redemption Date.</p> <p>If any Definitive Notes have been issued in respect of any Class A Notes or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the redemption and settlement of the Class A Notes, the Issuer will redeem the Relevant Class A Notes on the later of (i) 21 May 2015 or, if such day is not a Business Day, the next following Business Day (the Investor Redemption Date) and (ii) the date (the Deferred Investor Redemption Date) which is the earlier of (A) the date that is five Business Days after the date on which the parties to the Issuer, the Note Trustee and the Principal Paying Agent agree a procedure by which the redemption can occur and (B) 20 days after the Investor Redemption Date.</p> <p>The Issuer shall only be required to redeem the Relevant Class A Notes on the Investor Redemption Date or the Deferred Investor Redemption Date (as applicable), to the extent The Co-operative Bank p.l.c. in its capacity as Class D VFN Holder has funded its obligation under the Class D VFN in an amount equal to the Maturity Redemption Amount (the Class D VFN Commitment). If the Class D VFN holder fails to fund its obligation under the Class D VFN in an amount equal to the Maturity Redemption Amount in the manner and within the time limits set out in the Conditions, the Issuer will have no obligation to redeem the Relevant Class A Notes. For the avoidance of doubt, any failure to redeem some or all of the Relevant Class A Notes on the Investor Redemption Date or the Deferred Investor Redemption Date as a result of a failure by the Class D VFN Holder to further fund its obligation under the Class D VFN shall not constitute an Event of Default.</p> <p>If, on or prior to the Investor Redemption Date, insolvency proceedings have been commenced against the Class D VFN Holder then the Class D VFN Holder will agree to procure the payment to the Issuer of the amount as liquidated damages, equal to the maximum of (A) zero and (B) the Principal Amount Outstanding of the Class A Notes or (if insolvency proceedings are commenced after a Notice to Redeem has been issued) the Relevant Class A Notes on such date minus the</p>

	<p>firm clean bid quotation (for an amount equal to the Principal Amount Outstanding of the Class A Notes, or Relevant Class A Notes, as applicable) for the price which a third party would pay on a delivery verses payment basis to buy such Class A Notes or Relevant Class A Notes, as applicable assuming an investor does not exercise its option to redeem its Class A Notes in accordance with Condition 7.5 (a Liquidated Damages Amount). Such amount will be determined by the Cash Manager as the arithmetic average of the price quoted to assume such obligations by three Independent Dealers (as defined in Condition 7.5) selected by the Class D VFN Holder.</p> <p>The Relevant Class A Notes will be redeemed at their Maturity Redemption Price and will be cancelled upon redemption and may not be resold or re-issued.</p> <p>Maturity Redemption Amount means the Principal Amount Outstanding of the Relevant Class A Notes on the Expected Maturity Date (plus any interest accrued from and including the Expected Maturity Date to but excluding the Investor Redemption Date at the rate of interest applicable to the Relevant Class A Notes) after taking into account any principal repayments made by the Issuer on or after the Expected Maturity Date to (and including) the Investor Redemption Date minus the Principal Deficiency Losses.</p> <p>Principal Deficiency Losses means the outstanding balance on the Class A Principal Deficiency Ledger attributable <i>pro rata and pari passu</i> to the Relevant Class A Notes on the Loss Calculation Date.</p> <p>Loss Calculation Date means the day that is three Business Days after the Expected Maturity Date.</p>
<p>Credit Enhancement and Liquidity Support Features:</p>	<p>The Notes will have the benefit of the following credit enhancement and liquidity support features:</p> <p>(a) in the case of the Class A1 Notes and the Class D VFN (if funded) only, the subordination of the Class B VFN and the Class C VFN; in the case of the Class B VFN only, the subordination of the Class C VFN; and</p> <p>(b) in the case of the Class A1 Notes and the Class D VFN (if funded) only, overcollateralisation, the General Reserve Fund, the Yield Reserve Fund, the application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts and the Liquidity Reserve Fund.</p>
<p>Withholding Tax:</p>	<p>Payments of interest and principal (if any) with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes and neither the Issuer, nor any Paying Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. The applicability of any withholding or deduction for or on account of UK taxes in respect of the Class A1 Notes is discussed further under "<i>United Kingdom Taxation</i>", below.</p>
<p>Expected Average Lives of the Class A1 Notes:</p>	<p>The actual average lives of the Class A1 Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions as</p>

	described under " <i>Weighted Average Lives of the Notes</i> ", below.
Ratings:	<p>The ratings expected to be assigned to the Class A1 Notes on the Closing Date by Fitch Ratings Ltd. (Fitch) and Moody's Investor Services Limited (Moody's) and, together with Fitch, the Rating Agencies, which term includes any further or replacement rating agency appointed by the Issuer with the approval of the Note Trustee to give a credit rating to the Class A1 Notes (or any sub class thereof), are set out in "<i>Key Characteristics of the Notes</i>", above. The issuance of the Class A1 Notes is conditional on the assignment on the Closing Date of the expected ratings by Fitch and Moody's set out above in the table titled "<i>Key Characteristics of the Notes</i>", above.</p> <p>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances in the future so warrant.</p>
Sale of Initial Portfolio and New Portfolios:	<p>The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will (subject to the CCA Trust) sell its interest in the Initial Portfolio to the Issuer on the Closing Date. On the issue by the Issuer of Further Class A1 Notes or New Class A Notes, the Seller will sell to the Issuer a New Portfolio with an aggregate Current Balance of the New Loans at least equal to the relevant Principal Amount Outstanding of the Further Class A1 Notes or the New Class A Notes as applicable. The sale by the Seller to the Issuer of each Loan in the Portfolio and of each relevant New Loan in the relevant New Portfolio which is secured by a Mortgage over a Property located in England and Wales will be given effect prior to the Effective Date, a CCA Trust as described below and on and from the Effective Date (as defined below), an equitable assignment.</p> <p>The terms sale, sell and sold when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment as applicable. The terms repurchase and repurchased when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the beneficial interest of the Issuer in respect of such Loans and their Related Security under the CCA Trust.</p> <p>Until the Issuer has notified the Seller that it has obtained the requisite licence under the Consumer Credit Act 1974, as amended (the CCA) (such date of notification, the Effective Date), the Seller will hold the Loans and their Related Security on a bare trust for the Issuer (the CCA Trust) and following receipt of such notification from the Issuer, such Loans and their Related Security will be assigned to the Issuer as described above.</p> <p>Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Initial Portfolio and any New Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the Borrowers) under those Loans transferred and the Issuer will not apply to the Land Registry to register or record its equitable or beneficial interest in the Mortgages.</p>

<p>Perfection Events:</p>	<p>Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:</p> <ul style="list-style-type: none"> (a) the Seller being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; (b) it becoming necessary by law to take any or all such actions referred to in (a) above; (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy; (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or (e) the occurrence of a Seller Insolvency Event. <p>If the requisite licence under the CCA has not been obtained upon the occurrence of one or more of the events described in (a) to (e) above, notice of the Issuer's beneficial interest in the CCA Trust will be given by or on behalf of the Issuer to the Borrowers and legal assignment of the Loans and notice of the sale will only be given to the Borrowers upon such licence being obtained.</p>
<p>The Loans:</p>	<p>The Portfolio will consist of the Loans, the Related Security and all monies derived therein from time to time.</p> <p>The term Loans when used in this Prospectus means the residential mortgage loans, secured by a Mortgage and Related Security, in the Initial Portfolio to be sold to the Issuer on the Closing Date and in each New Portfolio sold to the Issuer after the Closing Date during the Further Sale Period (following the issuance of Further Class A1 Notes or New Class A Notes) together with, where the context so requires, each Further Advance and Flexible Drawing (as defined in "<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement</i>") sold to the Issuer by the Seller after the Closing Date during the Further Sale Period and any alteration to a Loan by the Seller pursuant to a Product Switch or a Rearrangement but excluding (for the avoidance of doubt) each Loan and its Related Security which is repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by the Issuer. When used in this Prospectus:</p> <p>Business Day means a day other than a Saturday or Sunday on which banks are open for business in London.</p> <p>Calculation Date means the 1st of March, June, September and December or if</p>

such day is not a Business Day, the next following Business Day.

Collection Period means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date except that the first Collection Period will commence on 1 February 2010 and end on the last calendar day before the immediately following Collection Period Start Date.

Collection Period Start Date means the 1st of March, June, September and December.

Collection Period End Date means the last day of the calendar quarter immediately preceding the immediately following Calculation Date.

Monthly Period means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Closing Date and end on the last calendar day of March 2010.

Monthly Period End Date means the last day of the calendar month.

Monthly Pool Date means (a) the 1st day of the calendar month immediately following each Monthly Period End Date provided that such day is not a Sunday and (b) the 2nd day of the calendar month immediately following each Monthly Period End Date where the 1st day of the calendar month is a Sunday.

Monthly Test Date means the 10th Business Day of each month.

Mortgage means in respect of any Loan each first fixed charge by way of legal mortgage which is, or is to be, sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement (or, prior to the Effective Date, held upon the CCA Trust) which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

Property means a freehold, leasehold or commonhold property which is subject to a Mortgage.

Related Security means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

Sale Date means each relevant Business Day on which New Loans are sold to the Issuer.

The **Current Balance** of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance and Flexible Drawing) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service

	<p>charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and</p> <p>(c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,</p> <p>as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.</p> <p>As at the Closing Date, the Initial Loans in the Initial Portfolio will comprise:</p> <p>(a) loans which are subject to discretionary rates of interest set by the Seller based on general interest rates and competitive forces in the UK mortgage market from time to time;</p> <p>(b) loans which are subject to interest rates set at a margin above or below the Bank of England repo rate from time to time; and</p> <p>(c) loans which are subject to fixed rates of interest or series of rates set for a fixed period or periods.</p> <p>See "<i>The Loans</i>" for a full description of the Loans.</p> <p>If a Borrower ports a Loan comprised in the Portfolio, such Loan will be treated as a redemption. The Seller will repurchase such ported Loan from the Issuer at a repurchase price equal to the Current Balance of such ported Loan on the date of repurchase and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the next Interest Payment Date.</p>
<p>Further Advances:</p>	<p>At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests a Further Advance under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting that Further Advance and the Seller will be solely responsible for funding that Further Advance. See "<i>Summary of the Key Transaction Documents — Mortgage Sale Agreement</i>" for further details.</p>
	<p>Subject to the Pre-Funded Purchase Available Amount (as defined herein) being sufficient for such purchase, if a Further Advance is made by the Seller, the Further Advance will be sold to the Issuer on the relevant Advance Date and the Issuer will pay the Seller the Further Advance Purchase Price on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred using amounts standing to the credit of the Retained Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf)</p>

	<p>determines that the amount standing to the credit of the Retained Principal Receipts Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer (or the Cash Manager on its behalf) will, prior to the VFN Commitment Termination Date, make a drawing under the Class B2 VFN in an amount equal to the difference between the amount standing to the credit of the Retained Principal Receipts Ledger and the Further Advance Purchase Price. The Issuer will only be permitted to purchase Further Advances (together with any Flexible Drawings) in an amount up to the Pre-Funded Purchase Available Amount from time to time (and shall first purchase Flexible Drawings before Further Advances).</p> <p>If (a) amounts standing to the credit of the Retained Principal Receipts Ledger are insufficient and the Class B2 VFN Holder fails to advance an amount equal to such shortfall in the Further Advances Purchase Price to be paid on the Monthly Pool Date or (b) the Pre-Funded Purchase Available Amount is not sufficient to collateralise the Loan relating to the Further Advance, the Issuer shall not make the payment of the relevant Further Advance Purchase Price and the Seller must repurchase the related Loan and its Related Security at its then Current Balance on the next Monthly Pool Date (excluding the amount of the Further Advance) determined as at the Monthly Period End Date. In addition, if it is determined on the Monthly Test Date immediately following the Monthly Period in which the Further Advance was made that any of the Asset Conditions were not met in respect of the Further Advance as of the relevant Monthly Test Date, the Seller shall repurchase the relevant Loan and its Related Security at its then Current Balance on the Monthly Pool Date immediately following such Monthly Test Date in accordance with the provisions of the Mortgage Sale Agreement.</p>
<p>Flexible Drawings:</p>	<p>No Flexible Loans are contained within the Closing Date Portfolio, however, the Seller may offer such products to Borrowers in the Portfolio at a later date.</p> <p>At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower makes a Flexible Drawing under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for funding that Flexible Drawing. See "<i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i>" for further details.</p> <p>Subject to the Pre-Funded Purchase Available Amount being sufficient for such purchase, if a Flexible Drawing is advanced by the Seller, the Flexible Drawing will be transferred to the Issuer on the relevant Drawing Date and the Issuer will pay the Seller the Flexible Drawing Purchase Price on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Drawing Date occurred using amounts standing to the credit of the Retained Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the amount standing to the credit of the Retained Principal Receipts Ledger, would not be sufficient to fund such Flexible Drawing Purchase Price, the Issuer (or the Cash Manager on its behalf) will, prior to the VFN Commitment Termination Date, make a drawing under the Class B2 VFN in an amount equal to the difference between the amount standing to the credit of the Retained Principal Receipts Ledger and the Flexible Drawing Purchase Price. The Issuer will only be permitted to purchase Flexible Drawings (together with any Further Advances) in an amount up to the Pre-Funded Purchase Available Amount from time to time (and shall first purchase Flexible Drawings before Further Advances).</p>

	<p>If (a) amounts standing to the credit of the Retained Principal Receipts Ledger are insufficient and the Class B2 VFN Holder fails to advance an amount equal to such shortfall in the Flexible Drawing Purchase Price to be paid on the Monthly Pool Date or (b) the Pre-Funded Purchase Available Amount is not sufficient to collateralise the Loans relating to the Further Advance, the Issuer shall not make the payment of the relevant Flexible Drawing Purchase Price and the Seller must repurchase the related Loan and its Related Security at its then Current Balance on the next Monthly Pool Date (excluding the amount of the Flexible Drawing) determined as at the Monthly Period End Date. In addition, if it is determined on the Monthly Test Date immediately following the Monthly Period in which the Flexible Drawing was made that any of the applicable Asset Conditions were not met in respect of the Flexible Drawing as of the Monthly Test Date, the Seller shall repurchase the relevant Loan and its Related Security at its then Current Balance on the Monthly Pool Date immediately following such Monthly Test Date.</p> <p>The Class B2 VFN Holder will be at liberty at any time to further fund the Class B2 VFN to fund the purchase of Flexible Drawings and/or Further Advances and to increase the Pre-Funded Purchase Available Amount to fund or collateralise the purchase of Further Advances and/or Flexible Loan Drawings.</p>
<p>Product Switches:</p>	<p>At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests, or the Seller (or the Servicer on behalf of the Seller) offers, a Product Switch under a Loan, the Seller will be solely responsible for offering and documenting that Product Switch. See "<i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i>" for further details.</p> <p>Product Switch means any variation in the financial terms and conditions applicable to a Loan (including, without limitation, any switch by a Borrower to a Flexible Loan) other than any variation:</p> <ul style="list-style-type: none"> (a) agreed with a Borrower to control or manage arrears on the Loan; (b) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes; (c) imposed by statute; (d) in the rate of interest payable in respect of a Loan where that rate is actively marketed to the Borrowers of more than 10 per cent. by Current Balance of the Loans in the Portfolio in any Interest Period, provided (i) suitable hedging arrangements will be in place for such Loan for the full term of such Loan, which for non-floating rates will be compliant with Moody's and Fitch criteria; and (ii) the current balance of the Yield Reserve Fund is either (A) at or above the Yield Reserve Required Amount, or (B) increased to or above the Yield Reserve Required Amount through a drawing under the Class C VFN; (e) in the frequency with which the interest payable in respect of the Loan is charged; or (f) which is a Rearrangement and does not result in a change of the rate of

	<p>interest payable on the Loan or a change in its repayment type,</p> <p>where in the case of (d)(i) above, the notional of the relevant Interest Rate Swap would be adjusted to take account of a change to or from a fixed or floating rate until the maturity of such Loan or Loans.</p> <p>Permitted Product Switch is a Product Switch where:</p> <ul style="list-style-type: none"> (a) the relevant Borrower has made at least one Monthly Payment, in full, on its Loan; (b) the new loan for which the prior Loan is to be exchanged is subject to either a Fixed Rate, the Seller's Variable Rate or a Base Rate linked rate of interest; and (c) on the Monthly Test Date immediately following the making of the Product Switch, each of the conditions as set forth under "<i>Summary of the Key Transaction Documents – Mortgage Sale Agreement – Conditions for Product Switches and Further Advances</i>" below are satisfied. <p>If it is determined on the Monthly Test Date immediately following the Monthly Period in which such Product Switch was made that the Product Switch is not a Permitted Product Switch, or if any of the Asset Conditions have not been met as at that date, the Seller will be required to repurchase the Loan at its Current Balance on the Monthly Pool Date immediately following such Monthly Test Date in accordance with the terms of the Mortgage Sale Agreement.</p>
<p>Rearrangements:</p>	<p>At any time prior to the redemption in whole of the Notes and subject to satisfaction of certain conditions, if a Borrower requests, or the Seller (or the Servicer on behalf of the Seller) offers a change to the Mortgage Conditions of such Borrower which results in, a Rearrangement under a Loan (the Original Loan), the Seller will be solely responsible for offering and documenting that Rearrangement.</p> <p>See "<i>Summary of the Key Transaction Documents – Mortgage Sale Agreement</i>" for further details.</p> <p>Any Loan which has been subject to a Rearrangement will be repurchased by the Seller on the Business Day following the date such Rearrangement was made.</p> <p>Any Loan which is subject to a Rearrangement (while part of the Portfolio) may be re-sold to the Issuer on the Monthly Pool Date immediately succeeding the Monthly Period in which such Rearrangement occurred.</p> <p>On each Monthly Pool Date the Issuer will first apply funds standing to the credit of the Rearrangement Purchase Ledger to purchase the principal element of Loans which are the subject of a Rearrangement which are offered for sale by the Seller to the Issuer. In addition, where such Loans have been subject to a Further Advance or Flexible Drawing (as well as a Rearrangement), the Issuer will apply funds standing to the credit of the Retained Principal Receipts Ledger to purchase the principal element of such Further Advance or Flexible Drawing and if there are insufficient funds standing to the credit of the Retained Principal Receipts Ledger to fund such amounts, the Issuer shall be entitled to request a</p>

	<p>drawing under the Class B2 VFN to fund such purchase. The Rearrangement Revenue Element of the purchase price for the Rearrangement will be funded from Revenue Receipts, or, if there are insufficient Revenue Receipts to fund the purchase of the Rearrangement Revenue Element of the purchase price of any Rearrangements, the Issuer will use the proceeds of the Class B2 VFN to fund such shortfall.</p> <p>In connection with a Rearrangement, the Issuer will only be permitted to purchase Flexible Drawings and Further Advances in an amount up to the Pre-Funded Purchase Available Amount from time to time (and shall first purchase Flexible Drawings before any Further Advances).</p> <p>If it is determined on the Monthly Test Date immediately following the Monthly Period in which such Rearrangement was made that the criteria set out in paragraphs (a), (c) or (d) of the Eligibility Criteria were not met or that Loan Warranties in respect of the Rearrangement on the Rearrangement Date were not met on the relevant Rearrangement Date, the Seller will be required to repurchase the Loan in accordance with the provisions of the Mortgage Sale Agreement.</p> <p>Rearrangement means any modification, variation, amendment or change to the terms and conditions of a Loan or the parties to a Loan and any drawdown of money or any additional borrowing under a Loan which, in each case, is requested by a Borrower under that Loan and is required to be characterised in accordance with the Co-op's internal policies from time to time, as a rearrangement.</p> <p>Rearrangement Revenue Element means, in respect of a Rearrangement, the interest accrued on the Loan subject to such Rearrangement from, and including, the Rearrangement Date to, and including, the relevant Monthly Pool Date on which such Loan is repurchased by the Issuer.</p>
<p>Loan Warranties:</p>	<p>The Issuer will have the benefit of all or certain of the Loan Warranties given by the Seller:</p> <ul style="list-style-type: none"> (a) as at the Closing Date in relation to the Loans and their Related Security in the Initial Portfolio; (b) on the Sale Date in relation to the New Loans and their New Related Security in any New Portfolio; (c) on the Advance Date in relation to Loans subject to a Further Advance and their Related Security; (d) on the Switch Date in relation to Loans subject to a Product Switch and their Related Security; and (e) on the Rearrangement Date in relation to Loans subject to a Rearrangement, <p>including in each case, warranties in relation to compliance with the Lending Criteria as it applied at the date of origination of the Loans or as at the relevant Advance Date or Switch Date, as the case may be.</p>

	<p>Lending Criteria means the lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender.</p> <p>It should be noted that any Loan Warranties made by the Seller in relation to a New Loan, Further Advance, Rearrangement and/or a Product Switch may be varied, amended or waived from time to time without the consent of the Noteholders provided that prior consent has been given by the Security Trustee who, for such purpose, may, but is not obliged to, have regard to whether the Rating Agencies have confirmed that the current ratings of the Class A1 Notes will not be adversely affected by such variation, amendment or waiver (although neither of the Rating Agencies is obliged to give any such confirmation).</p> <p>The Seller is not restricted in varying the Lending Criteria from time to time in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England and Wales who generally satisfy the lending criteria of traditional sources of residential mortgage capital (a Reasonable, Prudent Mortgage Lender). Any amendment to the Loan Warranties will be notified by the Seller to the Rating Agencies.</p> <p>The Seller will be required to repurchase any Loan (including any Product Switch, Rearrangement or Further Advance) sold to the Issuer pursuant to the Mortgage Sale Agreement if any applicable Loan Warranty made by the Seller in relation to that Loan and/or its Related Security is materially breached or proves to be materially untrue as of the Closing Date, Sale Date, the Switch Date, the Rearrangement Date or the Advance Date (as applicable) and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer.</p> <p>For the purposes of such repurchase, a material breach shall mean any breach of representation and warranty which materially adversely affects any of the value of a Loan, the value of the property secured by the relevant Mortgage, the rights available to the Seller in respect of the repayment of that Loan or the amount likely to be received upon a sale or likely to be financed against the security of that Loan.</p> <p>The Loan Warranties and the relevant Conditions for a Product Switch, Rearrangement or Further Advance will be tested in respect of any New Loan, Further Advance, Rearrangement and/or a Product Switch made in a Monthly Period on the Monthly Test Date immediately following the Monthly Period in which such New Loan, Further Advance, Rearrangement and/or Product Switch was made.</p>
<p>Principal Deficiency Ledgers:</p>	<p>A principal deficiency ledger (the Principal Deficiency Ledger) will be established to record any Losses affecting the Loans in the Portfolio and/or the use of any Principal Receipts as Available Revenue Receipts and/or any debiting of the Liquidity Reserve Fund.</p> <p>The Principal Deficiency Ledger will comprise three sub-ledgers: the Class A1 Principal Deficiency Ledger (relating to the Class A1 Notes), the Class B Principal Deficiency Ledger (relating to both the Class B1 VFN and the Class B2 VFN), and the Class D Principal Deficiency Ledger (relating to the Class D</p>

	<p>VFN).</p> <p>If during the Further Sale Period the Issuer issues New Class A Notes, the Cash Manager will establish a corresponding Principal Deficiency Ledger (the New Class A Principal Deficiency Ledger and, together with the Class A1 Principal Deficiency Ledger, the Class A Principal Deficiency Ledger) which will be debited and credited on a <i>pari passu</i> and <i>pro rata</i> basis with the Class A1 Principal Deficiency Ledger and the Class D Principal Deficiency Ledger.</p> <p>The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:</p> <p>(a) first, to the Class B Principal Deficiency Ledger up to a maximum of the Class B Principal Deficiency Limit (as defined herein); and</p> <p>(b) second, <i>pro rata</i> and <i>pari passu</i> to the Class A Principal Deficiency Ledger and to the Class D Principal Deficiency Ledger so long as the debit balance on such ledger is less than the Principal Amount Outstanding of the Class A Notes and the Class D VFN (if funded).</p> <p>Any Losses on the Portfolio which are recorded on the relevant Principal Deficiency Ledger may be cured to the extent that amounts are available for that purpose pursuant to the Pre-Acceleration Revenue Priority of Payments.</p> <p>Losses means all realised losses in respect of a Loan, including any loss arising as a result of an exercise of any set-off by the relevant Borrower.</p> <p>Investors should note that realised losses will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan.</p> <p>See "<i>Credit Structure — Principal Deficiency Ledger</i>" below.</p>
<p>Servicing Agreement:</p>	<p>Pursuant to the Servicing Agreement, the Servicer will agree to service the Loans sold to the Issuer and their Related Security on behalf of the Issuer (or whilst the Loans are held subject to the CCA Trust, the Servicer will agree to service such Loans on behalf of the Seller in its capacity as trustee thereunder acting upon the instruction of the Issuer in its capacity as beneficiary thereunder) (such services, <i>inter alia</i>, the Services).</p> <p>The Issuer will, on each Interest Payment Date, pay to the Servicer a servicing fee (inclusive of VAT) (the Servicing Fee) totalling 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. The Servicing Fee will rank ahead of all payments on the Notes.</p> <p>See "<i>Summary of Key Transaction Documents — Servicing Agreement</i>" below.</p>
<p>Cash Management Agreement:</p>	<p>Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Co-op Deposit Account and/or the BNY Mellon Deposit Account (as the case may be). In addition, the Cash Manager will:</p>

	<p>(a) provide the Issuer, the Security Trustee, the Seller, the Class A Noteholders and the Rating Agencies with a quarterly investor report (the Investor Report) setting out certain aggregated loan data in relation to the Portfolio by no later than 10 Business Days following each Interest Payment Date;</p> <p>(b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;</p> <p>(c) apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;</p> <p>(d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;</p> <p>(e) make withdrawals from the General Reserve Ledger, the Revenue Ledger, the Co-op Collateral Account Ledger, the Issuer Fee Amount Ledger, the Swap Provider Fee Amount Ledger, the Swap Collateral Ledger, the Retained Principal Receipts Ledger, the Rearrangement Purchase Ledger, the Yield Reserve Ledger, the Principal Ledger, the Liquidity Reserve Ledger, the Pre-Funded Purchase Ledger and the Fixed Interest Rate Withheld Amount Ledger as and when required;</p> <p>(f) deliver any notices which are required to be served by it on behalf of the Issuer pursuant to Condition 7.5 (<i>Investor Redemption Option at Par minus Class A Principal Deficiency</i>);</p> <p>(g) make payments of the consideration for a Further Advance, Flexible Drawing and New Loans to the Seller; and</p> <p>(h) make a drawing under any VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price and/or the Flexible Drawing Purchase Price.</p>
Ledgers:	For the avoidance of doubt, the Ledgers will not be required to be kept in physical form and where it is expressed in this Prospectus that amounts are standing to the credit of the relevant Ledger this means that amounts can be identified as being of the particular nature to be recorded on such Ledger.
Mortgage Sale Agreement:	Pursuant to the Mortgage Sale Agreement, the Seller will (subject to the CCA Trust) sell its interest in the Initial Portfolio to the Issuer on the Closing Date and may on each Sale Date (subject to the CCA Trust, if relevant) sell New Loans comprising the relevant New Portfolio to the Issuer.
Trust Deed:	<p>The terms of the Notes will be governed by a Trust Deed entered into with the Note Trustee. The Trust Deed will:</p> <p>(a) constitute the Notes;</p>

	<p>(b) set out the covenants of the Issuer in relation to the Notes;</p> <p>(c) set out the enforcement and post-enforcement procedures relating to the Notes; and</p> <p>(d) sets out the appointment, powers and responsibilities of the Note Trustee.</p>
Deed of Charge:	The Issuer will enter into the Deed of Charge on the Closing Date with, <i>inter alia</i> , the Security Trustee pursuant to which the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to the Secured Creditors, including the Noteholders.
Fixed Interest Rate Swap Agreements:	Payments received by the Issuer under certain of the Loans will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. To hedge against the potential variance between the fixed rates of interest received on certain of the Loans in the Portfolio and the rate of interest payable on the Notes, the Issuer will enter into one or more Fixed Interest Rate Swaps with one or more Fixed Interest Rate Swap Providers under the Fixed Interest Rate Swap Agreements.
Floating Interest Rate Swap Agreement:	Payments received by the Issuer under certain of the Loans will be subject to variable rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. To hedge against the potential variance between the variable rate of interest received on certain of the Loans in the Portfolio and the rate of interest payable on the Notes, the Issuer will enter into the Floating Interest Rate Swap with the Floating Interest Rate Swap Provider under the Floating Interest Rate Swap Agreement.
Co-op and BNY Mellon Bank Account Agreements:	The Issuer will enter into the (i) Co-op Bank Account Agreement with the Co-op Account Bank on the Closing Date in respect of the Co-op Deposit Account pursuant to the Co-op Bank Account Agreement and (ii) BNY Mellon Bank Account Agreement with the BNY Mellon Account Bank on the Closing Date in respect of the BNY Mellon Deposit Account pursuant to the BNY Mellon Bank Account Agreement (including any Swap Collateral Ledger if so established) (together, the Bank Accounts). On each Interest Payment Date, the Cash Manager will transfer monies from the Bank Accounts to be applied in accordance with the relevant Priority of Payments. Monies may also be transferred from the BNY Mellon Deposit Account (i) on any Sale Date to pay the New Portfolio Purchase Price in respect of any New Loans sold by the Seller to the Issuer, (ii) on any Monthly Pool Date to pay the Further Advance Purchase Price in respect of any Further Advance, Flexible Drawing Purchase Price in respect of any Flexible Drawing or Rearrangement Purchase Price in respect of any Rearrangement sold by the Seller to the Issuer.
Swap Collateral Account Bank Agreement	<p>The Issuer may enter into the Swap Collateral Account Bank Agreement with the Swap Collateral Account Bank(s) in respect of any Swap Collateral Accounts on or about the Closing Date.</p> <p>If and when required under the terms of the Fixed Interest Rate Swap Agreements, the Cash Manager on behalf of the Issuer will debit and credit the</p>

	Swap Collateral Accounts or the Swap Collateral Ledgers maintained by the Cash Manager (as applicable) in accordance with the terms of the relevant Swap Agreement and the Cash Management Agreement.
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RISK FACTORS

The following is a description of the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. Prospective Noteholders should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.

Liabilities Under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Providers, the Arranger, the Joint Lead Managers, the Servicer, the Cash Manager, the Co-op Account Bank, the BNY Mellon Account Bank, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into), the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Bank Accounts, amounts standing to the credit of the Yield Reserve Fund, the General Reserve Fund, the Liquidity Reserve Fund, and the receipts under the Interest Rate Swap Agreements. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption

The yield to maturity of the Class A1 Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes of each Class. Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes of any Class may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required to repurchase a Loan or Loans under a Mortgage Account and their Related Security because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not

within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date after the Further Sale Period End Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

During the Further Sale Period, payments and prepayments of principal on the Loans will be credited to the Retained Principal Receipts Ledger and will not be applied to redeem the Notes. After the Further Sale Period End Date, payments and prepayments of principal on the Loans will be applied in accordance with the Pre-Acceleration Principal Priority of Payments to redeem the Notes (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund).

At any time on or after the Interest Payment Date (i) falling in March 2015 or (ii) on which the aggregate Principal Amount Outstanding of all sub-classes of the Class A1 Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of all such sub-classes of the Class A1 Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A1 Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Interest Rate Swap Providers being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Class A1 Notes.

Following the occurrence of an Event of Default, service of a Note Acceleration Notice and enforcement of the Security, there is no assurance that the Issuer will have sufficient funds to redeem the Notes in full.

Continuing decline in house prices may adversely affect the performance and market value of your Notes

Since 2007, house prices have fallen under different monthly measurements as a result of a combination of economic downturn and uncertainty, reduced affordability, lower availability of credit, subdued earnings growth, greater pressure on household finances and the effect of the continuing global market volatility that began in the summer of 2007.

Recently, the UK recorded negative GDP growth and it is currently expected that the UK will also record further negative GDP growth during the beginning of 2010. During the second half of 2008 and continuing in 2009, the UK property market began a significant correction as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on housing finances, rising unemployment, changes in interest rates, a decline in the availability of mortgage finance and the continued effect of global market volatility. Should these circumstances persist or worsen and should, as a consequence, house price inflation and residential property values continue to decline, Borrowers may have insufficient resources to pay amounts in respect of their Loans as and when they fall due and may have insufficient equity to refinance their Loans with lenders other than the Seller. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes.

Characteristics of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at 30 November 2009 (the **Reference Date**). The Initial Portfolio will be randomly selected from the Closing Date Portfolio. The Closing Date Portfolio comprises of 33,559 Loans with a current balance of £3,636,035,526.40. The characteristics of the Initial Portfolio as at the Closing Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of loans prior to the Closing Date. Neither the Seller nor the Servicer has provided any assurance that there will be

no material change in the characteristics of the Closing Date Portfolio and the Initial Portfolio, or the characteristics of the Closing Date Portfolio between the Reference Date and the Closing Date.

Geographic Concentration Risks

Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of the United Kingdom. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon sale of the Property. These circumstances could affect receipts on the Loans and ultimately result in losses on the Notes. For an overview of the geographical distribution of the Loans as at the Reference Date, see "*Characteristics of the Portfolio — Geographical Spread Distribution*".

Subordination of the Class B VFN and the Class C VFN

The Class B VFN are subordinated in right of payment of interest and principal to the Class A1 Notes and the Class D VFN; the Class C VFN are subordinated in right of payment of interest and principal to the Class A1 Notes, the Class D VFN and the Class B VFN, all as set out in "*Cashflows — Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*". There is no assurance that these subordination rules will protect the holders of Class A1 Notes, the Class D VFN and Class B VFN (as appropriate) from all risk of loss.

Deferral of Interest Payments on the Class B VFN and the Class C VFN

If, on any Interest Payment Date whilst any of the Class A1 Notes and the Class D VFN remains outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B VFN, and/or the Class C VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class B VFN and/or the Class C VFN becomes immediately due and repayable in accordance with the Conditions. This will not constitute an Event of Default. If there are no Class A1 Notes or Class D VFN then outstanding, the Issuer will not be entitled, under Condition 18 (*Subordination by Deferral*), to defer payments of interest in respect of the Class B VFN; and if there are no Class A Notes, Class D VFN or Class B VFN then outstanding, the Issuer will not be entitled, under Condition 18 (*Subordination by Deferral*), to defer payments of interest in respect of the Class C VFN.

Failure to pay interest on the Class A1 Notes and the Class D VFN (or on the Class B VFN outstanding where the Class A1 Notes and the Class D VFN have been redeemed in full or on the Class C VFN outstanding where the Class A1 Notes, the Class D VFN and the Class B VFN have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Absence of secondary market

No assurance is provided that there is an active and liquid secondary market for the Class A1 Notes, and no assurance is provided that a secondary market for the Class A1 Notes will develop. £375,000,000 of the Class A1 Notes will be sold to third-party investors. Therefore, the secondary market for the Class A1 Notes will be less liquid than if the entire Class A1 Notes issuance was sold to third-party investors. None of the Class A1 Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*" and "*Transfer and Selling Restrictions*". To the extent that a secondary market exists or develops, it may not continue for the life of the Class A1 Notes or it may not provide Class A1 Noteholders with liquidity of investment with the result that a Class A1 Noteholder may not be able to find a buyer to buy its Class A1 Notes readily or at prices that will enable the Class A1 Noteholder to realise a desired yield. Any investor in the Class A1 Notes must be prepared to hold their Class A1 Notes until their Final Maturity Date.

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

As at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing significant disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell mortgage-backed securities into the secondary market. The price of credit protection on mortgage-backed securities through credit derivatives has risen materially.

Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions persist, an investor in the Notes may not be able to sell or acquire credit protection on its Notes readily and market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor. It is not known for how long these market conditions will continue or whether they will worsen.

Recent mortgage loan market developments

In late 2006 the sub-prime mortgage loan market in the United States commenced a period characterised by a large number of borrower defaults. Prior to the commencement of such period, a significant volume of sub-prime mortgage loans had been securitised and, in turn, sub-prime mortgage backed securities had been sold to various investment funds. As a result of the deterioration of the U.S. sub-prime mortgage loan market, funds and institutions that invested in U.S. sub-prime mortgage-backed securities began experiencing significant losses which has triggered a series of events that have resulted in a severe liquidity crisis in the global credit markets since the summer of 2007. Although none of the Loans in the Portfolio comprise of sub-prime mortgage loans, these conditions have had an impact on the market in prime mortgage loans as well.

There exist significant additional risks for the Issuer and investors as a result of the liquidity crisis which, as at the date of this Prospectus, is expected to continue. Those risks include, among others, (i) the likelihood that the Issuer will find it harder to sell any of its assets in the secondary market, (ii) the possibility that, on or after the Closing Date, the price at which assets can be sold by the Issuer will have deteriorated from their effective purchase price and (iii) the increased illiquidity of mortgage-backed securities as there is currently limited liquidity in the secondary markets. These additional risks may affect the returns on the Notes to investors and/or the ability of investors to realise their investment in the Notes prior to their stated maturity.

The impact of the liquidity crisis on the primary market may additionally adversely affect the servicing flexibility of the Servicer in relation to the Portfolio and, ultimately the returns on the Notes to investors.

Increases in prevailing market interest rates may adversely affect the performance and market value of the Notes

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, where the reversionary rate is the current Standard Variable Mortgage Rate, in the Seller's mortgage terms, the reversionary rate for Borrowers reaching the end of their fixed or tracker periods may be lower than prevailing market rates. This would mean that it is less likely that they will refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses.

Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the **Banking Act**), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the **FSA** and, together with HM Treasury and the Bank of England, the **Authorities**) as part of the special resolution regime (the **SRR**). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the **FSMA**) (such as the Seller, the Floating Rate Swap Provider, the Account Banks, etc) (each a **relevant entity**) that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances with retrospective effect. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of a relevant entity, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified (such as e.g. the CCA Trust) and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and (in the case of the Seller) trigger events in respect of perfection of legal title to the Mortgage Loans). As a result, the making of an instrument or order in respect of a relevant entity may

affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the relevant entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

Ratings of the Class A1 Notes

The ratings address the likelihood of full and timely payment to the Class A1 Noteholders of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of each sub-class of Notes. The ratings do not address the redemption arrangements set forth in Condition 7.5 (*Investor Redemption Option at Par minus Class A Principal Deficiency*). The Class B VFN, the Class C VFN and the Class D VFN will not be rated by the Rating Agencies.

The expected ratings of the Class A1 Notes assigned on the Closing Date are set out in "*Ratings*", below. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Interest Rate Swap Providers and/or the BNY Mellon Account Bank and/or the Swap Collateral Account Bank) in the future so warrant. See also "*Change of Counterparties*" below.

At any time, any Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Class A Notes may be lowered.

Conflict between Noteholders

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of the Class A1 Noteholders, the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise).

If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the Class A1 Noteholders (for so long as there are any Class A1 Notes outstanding) on one hand and the interests of the Class D VFN Holder and/or the Class B VFN Holder and/or the Class C VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class A1 Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class D VFN Holder (for so long as there are any Class D VFN outstanding) on the one hand and the interests of the Class B VFN and/or the Class C VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class D VFN Holder. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class B VFN Holder (for so long as there are any Class B VFN outstanding) on the one hand and the interests of the Class C VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class B VFN Holder.

The Co-op will not have any voting rights in respect of the Class A1 Notes (unless it holds all of the Class A1 Notes). For so long as Co-op is Floating Interest Rate Swap Provider or holds any interest in any of the Class B VFN, Class C VFN and Class D VFN (if funded), the Co-op will have the right to direct the Note Trustee to (a) refrain from consenting to (following an Extraordinary Resolution of the Class A1 Noteholders

requesting any change or amendment) or (b) consent to (following an Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) the:

- (a) modification of the amount of principal or the rate of interest payable or, where applicable, a modification of the method of calculating the amount payable of any principal or interest in respect of the Notes;
- (b) modification of the date of payment of principal or interest or, where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes;
- (c) modification of the date of maturity of any Notes; and
- (d) alteration of the currency in which payments under the Notes are to be made (together the **Co-op Consent Rights**),

and the Note Trustee shall not, and shall not be bound to, agree or consent to any such changes unless directed by the Co-op to do so, provided that if the Co-op fails to direct the Note Trustee within the time period set out in the Trust Deed, then, after the expiry of such period, the Note Trustee may agree or consent to such changes without the consent of the Co-op. For the avoidance of doubt, the Co-op Consent Rights do not include any rights to stop enforcement of the Security by the Security Trustee under the Deed of Charge.

Conflict Between Noteholders and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12.4.

The Co-op will purchase a portion of the Class A1 Notes and all of the Class B VFN, all of the Class C VFN and all of the Class D VFN on the Closing Date (see "*Subscription and Sale*" below). The Co-op will not have any voting rights in respect of the Class A1 Notes (unless it holds all of the Class A1 Notes). For so long as Co-op is Floating Interest Rate Swap Provider or holds any interest in any of the Class B VFN, Class C VFN and Class D VFN (if funded), the Co-op will have the right to direct the Note Trustee to (a) refrain from consenting to (following an Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) or (b) consent to (following an Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) the matters which are the subject of the Co-op Consent Rights. It may exercise such rights in a way which is prejudicial to other Noteholders. Entities within the Co-op Bank Group act in various capacities in the transaction, including as Seller, Servicer, Cash Manager, Co-op Fixed Interest Rate Swap Provider and Floating Interest Rate Swap Provider. In addition, JPMSL (or its affiliates) will also purchase part of the Class A1 Notes on the Closing Date and will also act as securities lending counterparty with respect to part of the Class A1 Notes. JPMSL, in its capacity as JPMSL Fixed Interest Rate Swap Provider, is also a Secured Creditor and may exercise voting rights which may have a prejudicial effect on other Noteholders. Actual or potential conflicts may arise between the interests of such entities and the interests of the Issuer and the Noteholders.

Meetings of Noteholders, Modification and Waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

However for so long as the Co-op is Floating Interest Rate Swap Provider or holds any interest in any of the Class B VFN, Class C VFN and Class D VFN (if funded), the Co-op will have the right to direct the Note Trustee to refrain from consenting or consenting to matters which are the subject of the Co-op Consent Rights and the Note Trustee shall not, and shall not be bound to, agree or consent to any such matter unless directed by the Co-op to do so, provided that if the Co-op fails to direct the Note Trustee within the time period set out in the Trust Deed, then, after the expiry of such period, the Note Trustee may agree or consent to such changes without the consent of the Co-op.

The Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), to (i) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or (ii) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error. In certain circumstances, a failure by the Issuer to obtain the consent of the Fixed Interest Rate Swap Providers in respect of amendments to the Transaction Documents may result in the termination of the correspondence Swap Agreement. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver)*" below.

The Note Trustee and the Security Trustee are not obliged to act in certain circumstances

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A1 Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A1 Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

So long as no Class A1 Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holders of the Class D VFN (or the Class B VFN, where no Class A1 Notes and Class D VFN remain outstanding, or the Class C VFN, where no Class A1 Notes, Class D VFN and Class B VFN remain outstanding) (subject, in each case, to being indemnified and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including the Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of a Note Acceleration Notice in accordance with Condition 10 (*Events of Default*)) unless:

- (a) it shall have been directed to do so by an Extraordinary Resolution of the Class A1 Noteholders or it has been directed to do so by the Class B VFN Holder, the Class C VFN Holder or the Class D VFN Holder (in accordance with the priority described in paragraphs (i) – (iii) of the proviso below) or in

writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A1 Notes then outstanding; and

(b) it shall have been indemnified and/or secured to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of:

- (i) the Class D VFN Holder as aforesaid so long as any Class A1 Notes are outstanding;
- (ii) the Class B VFN Holder as aforesaid so long as any Class A1 Notes or Class D VFN are outstanding; or
- (iii) the Class C VFN Holder as aforesaid so long as any of the Class A1 Notes, Class D VFN and Class B VFN are outstanding,

and provided further that the Note Trustee shall not be bound to consent to any event, matter or thing which is the subject of the Co-op Consent Rights without being directed by the Co-op to do so, provided that if the Co-op fails to direct the Note Trustee within the time period set out in the Trust Deed, then, after the expiry of such period, the Note Trustee may agree or consent to such changes without the consent of the Co-op.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" below.

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents.

Further Class A1 Notes and/or New Class A Notes

The Issuer may, without the consent of the Noteholders issue Further Class A1 Notes and/or New Class A Notes, as applicable, in accordance with the Conditions, provided that certain conditions are met (including (a) written confirmation from each of the Rating Agencies that the then current rating of the Class A1 Notes will not be downgraded, withdrawn or qualified as a result of the issuance of such Further Class A1 Notes or New Class A Notes (as applicable); (b) the total value of the Further Class A1 Notes, and/or any New Class A Notes to be issued on the same date being at least £100,000,000 (or equivalent); (c) the aggregate value of all Further Class A1 Notes and New Class A Notes (including those already issued and those that may be issued) not exceeding £500,000,000 (or equivalent) and (d) the consent of all the Secured Creditors). Any such New Class A Notes will rank *pari passu* with any existing Class A1 Notes then outstanding. In addition, upon issuance of such Further Class A1 Notes and/or New Class A Notes, the Transaction Documents may be amended and further Transaction Documents may be entered into, in connection with the issue of such Further Class A1 Notes or New Class A Notes and the claims of any of the parties to any amended Transaction Documents or any further Transaction Documents may rank ahead, *pari passu* with, or behind, the Class A1 Notes, provided, in each case, that *Condition 16 (Further Class A1 Notes and New Class A Notes)* is satisfied.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Class A Notes under the Trust Deed. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Class A1 Notes to Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

A nominee for the Common Depositary will be considered the registered holder of the Class A1 Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Note under the Trust Deed while the Class A1 Notes are represented by the Global Note. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, the Global Note will be made by the Principal Paying Agent to a nominee of the Common Depositary for Euroclear and Clearstream, Luxembourg) in the case of the Global Note. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

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

Certain transfers of Class A1 Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

Interest Rate Risk

The Loans in the Portfolio are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR.

To hedge its interest rate exposure, the Issuer will enter into the Fixed Interest Rate Swaps and the Floating Interest Rate Swap on the Closing Date with the Fixed Interest Rate Swap Providers and the Floating Interest Rate Swap Provider respectively (see "*Credit Structure — Interest Rate Risk for the Notes*" below).

A failure by any Interest Rate Swap Provider to make timely payments of amounts due under the relevant Interest Rate Swap Agreement will constitute a default thereunder. Each Interest Rate Swap Agreement provides that the Sterling amounts owed by the relevant Interest Rate Swap Provider on any payment date under the relevant Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date. Accordingly, if the amounts owed by the Issuer to an Interest Rate Swap Provider on a payment date are greater than the amounts owed by that Interest Rate Swap Provider to the Issuer on the same payment date, then the Issuer will pay the difference to the Interest Rate Swap Provider on such payment date; if the amounts owed by an Interest Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to that Interest Rate Swap Provider on the same payment date, then the Interest Rate Swap Provider will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. To the extent that an Interest Rate Swap Provider defaults in its obligations under its Interest Rate Swap Agreement to make payments to the Issuer in Sterling, on any payment date under the relevant Interest Rate Swap (which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between various fixed, variable, discretionary or tracker rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

Each of the Fixed Interest Rate Swaps is scheduled to terminate in March 2025. Accordingly, if any of the Notes remain outstanding after such date, the Issuer will be subject to the potential variation between the fixed rates of interest payable in respect of Loans in the Portfolio and Three Month LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes after that date.

The rates payable by the Issuer under each of the Interest Rate Swaps are not intended to be an exact match of the interest rates that the Issuer receives in respect of the Loans in the Portfolio. As such, there may be circumstances in which the rate payable by the Issuer under an Interest Rate Swap exceeds the amount that the Issuer receives in respect of the Loans in the Portfolio.

Termination payments under Fixed Interest Rate Swaps

Subject to the following, each Fixed Interest Rate Swap Agreement will provide that, upon the occurrence of certain events, the Fixed Interest Rate Swap may terminate and a termination payment by either the Issuer or the relevant Fixed Interest Rate Swap Provider may be payable, depending on, among other things, the terms of such Fixed Interest Rate Swap and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer (other than (where applicable) a Fixed Interest Rate Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium, which shall be paid directly by the Issuer to the relevant Fixed Interest Rate Swap Provider) will rank prior to payments in respect of the Notes. If any termination amount is payable payment of such termination amounts may affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of a Fixed Interest Rate Swap (including any extra costs incurred in entering into replacement fixed interest rate swaps) will also rank prior to payments in respect of the Notes. This may affect amounts available to pay interest on the Notes and, following service of a Note Acceleration Notice on the Issuer (which has not been revoked), interest and principal on the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement transactions, or if one or more replacement transactions are entered into, as to the credit rating of the interest rate swap provider for the replacement transactions.

Floating Interest Rate Swap

Neither the Floating Interest Rate Swap Provider nor the Issuer will be required to post collateral in support of its respective obligations under the Floating Interest Rate Swap Agreement.

Neither the Floating Interest Rate Swap Provider nor the Issuer will be required to pay an amount in respect of the early termination (in whole or in part) for any reason of the Floating Interest Rate Swap, except for the net sum of all amounts which were due and payable between the Floating Interest Rate Swap Provider and the Issuer on or prior to the Early Termination Date (as defined in the Floating Interest Rate Swap Agreement) and which remain unpaid as at such Early Termination Date.

The Floating Interest Rate Swap will not contain any provisions requiring the Floating Interest Rate Swap Provider to take any remedial action (whether the provision of collateral, obtaining a guarantee or transferring the Floating Interest Rate Swap to a replacement Floating Interest Rate Swap Provider) in any circumstances, including the decline in rating, default or insolvency of the Floating Interest Rate Swap Provider.

Currency Swap Agreement

If the Issuer issues New Class A Notes in a currency other than Sterling (the **Non-Sterling Class A Notes**), the Issuer will enter into a currency swap agreement, in respect of the Non-Sterling Class A Notes (the **Currency Swap Agreement**) with a swap counterparty (the **Currency Swap Provider**).

If the Issuer fails to make timely payments of amounts due under the Currency Swap Agreement, then it will have defaulted under the Currency Swap Agreement and the swaps governed by such Currency Swap Agreement (the **Currency Swaps**) may be terminated. If a Currency Swap terminates, then the Issuer may be obliged to make a termination payment to the Currency Swap Provider. If the Issuer is obliged to pay a termination payment under the Currency Swap Agreement, such termination payment will rank *pari passu* with amounts due on the Class A Notes, except where default by, or downgrade of, the Currency Swap Provider has caused the relevant swaps to terminate.

Issuer Reliance on Other Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Co-op Account Bank has agreed to provide the Co-op Deposit Account to the Issuer pursuant to the Co-op Bank Account Agreement, the BNY Mellon Account Bank has agreed to provide the BNY Mellon Deposit Account to the Issuer pursuant to the BNY Mellon Bank Account Agreement, (if the Swap Collateral Account Bank Agreement is entered into) the Swap Collateral Account Bank has agreed to provide the Swap Collateral Account to the Issuer pursuant to the Swap Collateral Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement and the Paying Agents, the Registrar, the VFN Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

The Servicer

If the Servicer is removed, there is no guarantee that a substitute servicer would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes.

The Co-op has been appointed by the Issuer as Servicer to service the Loans. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer and the Seller shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is approved by the Security Trustee.

There can be no assurance that a substitute servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the FSMA in order to service Loans that constitute regulated mortgage contracts. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

You should note that the Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

Withholding Tax Under the Notes

In the event that any withholding or deduction for or on account of any taxes is imposed in respect of payments to Noteholders of any amounts due under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction. However, in such circumstances, the Issuer will, in accordance with Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) of the Notes, use reasonable endeavours to prevent such an imposition.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Class A1 Notes provided that the Class A1 Notes carry a right to interest and are and, in the case of the Class A1 Notes, continue to be listed on a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for such purposes and the Class A1 Notes will be treated as listed on the London Stock Exchange if the Class A1 Notes are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes is discussed further under "*United Kingdom Taxation*" below.

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Initial Loans and their Initial Related Security sold to the Issuer on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding any New Loans and their New Related Security sold to the Issuer on any Sale Date or in relation to any Further Advances, Product Switches, and Rearrangements at the relevant Advance Date, Switch Date or Rearrangement Date, as applicable (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in

respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, the Sale Date, the Advance Date, the Rearrangement Date or the Switch Date (as applicable), which breach is not remedied on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant sale, Further Advance, Rearrangement or Product Switch occurred, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

It should also be noted that any warranties made by the Seller in relation to a New Portfolio, Further Advances, Product Switches and/or Rearrangements may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to whether the Rating Agencies have confirmed in writing that they will not downgrade, withdraw or qualify the ratings of the Notes as a result of those amendments (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation)). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. However, the Seller recommends that the Borrower has a suitable repayment mechanism in place in relation to the Loan but does not require proof of any such repayment mechanism and does not take security over any investment policies taken out by Borrowers. .

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans — Repayment Terms*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Seller to Initially Retain Legal Title to the Loans and risks relating to set-off

The sale by the Seller to the Issuer of the Loans and their Related Security (until legal title is conveyed) takes effect in equity only (and subject to the CCA Trust). This means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*", below). Until such time, the assignment by the Seller to the Issuer of the Loans and their Related Security takes effect in equity only (and subject to the CCA Trust). The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the Mortgages.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby, a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents.

Further, prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of the Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower, however, some rights of set-off may not arise after the date notice is given.

Until notice of the assignment is given to Borrowers, the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected.

Once notice has been given to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller (such as, for example, set-off rights associated with Borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security.

Notwithstanding the above, until the Issuer has confirmed that it has obtained the requisite licence under the CCA, the Seller will hold the Loans on a bare trust absolutely for the Issuer. Following receipt by the Seller of such confirmation from the Issuer that it has obtained the requisite licence, such Loans and their Related Security will be automatically assigned to the Issuer. In the event of the occurrence of a perfection event prior to the Issuer obtaining its licence under the CCA, the Issuer will not make any of the notifications or registrations required pursuant to the Mortgage Sale Agreement to perfect its title to the Loans. However it shall instead send written notice to each Borrower, informing such Borrower of the interests of the Issuer in respect of such Borrower's Loan and its Related Security pursuant to the CCA Trust and will only perfect its title to the Loans once it has obtained its CCA licence. The Issuer is currently in the process of obtaining a CCA licence.

Product Switches, Rearrangement, Further Advances and Flexible Drawings

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance or a Product Switch from time to time; such Further Advance or Product Switch may also

result in a Rearrangement. Any Loan which has been the subject of a Further Advance, a Rearrangement, a Flexible Drawing or a Product Switch following an application by the Borrower will remain in the Portfolio (or, in the case of a Rearrangement, will be repurchased from the Seller by the Issuer prior to the Monthly Test Date on which compliance with the relevant criteria are determined). If the Issuer subsequently determines that any Further Advance, Rearrangement, Flexible Drawings or Product Switch does not satisfy an Asset Condition, as at such Advance Date, Rearrangement Date, Drawing Date or Switch Date (where applicable), and such default is not remedied in accordance with the Mortgage Sale Agreement the Seller will be required to repurchase the relevant Loan and its Related Security. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to a Further Advance and/or Rearrangement and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any confirmation from each of the Rating Agencies that it will not downgrade, withdraw or qualify the ratings of the Class A1 Notes as a result of those amendments). Where the Seller is required to repurchase because the warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Class A1 Notes.

The number of Further Advance, Flexible Drawing and Product Switch requests received by the Seller and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) and interest on the Notes.

Further, there may be circumstances in which a Borrower might seek to argue that any Loan, Further Advance or Product Switch is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the CCA as further discussed below.

If this were to occur, then this could adversely affect the Issuer's ability to make payments due on the Notes or to redeem the Notes.

Delinquencies or Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Co-op Account Bank, the BNY Mellon Account Bank, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into) and the Interest Rate Swap Providers) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria include requirements imposed by the FSA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers.

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under "*The Loans — Buildings Insurance Policies*", below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

Fixed charges may take effect under English law as floating charges

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges over, amongst other things, its interests in the Loans and their Related Security, its rights and benefits in the Bank Accounts and all Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Assets. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the expenses of any winding up or administration, and the claims of any preferential creditors, would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the UK tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but a new Section 176A of the Insolvency Act 1986 (as inserted

by Section 251 of the Enterprise Act 2002) requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge.

Legal considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

UK Government Credit Guarantee Scheme, ABS Guarantee Scheme and Financial Services Compensation Scheme not applicable

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the Government will make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fall due. The UK Government has indicated that certain debt instruments including the Notes are not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. In addition, on 19 January 2009, the UK government announced the introduction of the asset backed securities guarantee scheme. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Class A1 Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Certain Regulatory Considerations

Office of Fair Trading, Financial Services Authority and Other Regulatory Authorities

In the United Kingdom, the Office of Fair Trading (the **OFT**) is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the Consumer Credit Act 1974 (the **CCA**), related consumer credit regulations and other consumer protection legislation. The OFT may review

businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom (except to the extent that the market is regulated by the FSA under the FSMA, as described below). The licensing regime under the CCA regime is different from and where applicable, in addition to the FSMA regime.

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

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

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract (as defined below) under the FSMA or unregulated might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on (a) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded, (b) determining whether the credit agreement is an exempt agreement under the CCA and (c) changes to credit agreements.

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

Under section 75 of the CCA in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. The lender may also be entitled to a statutory indemnity against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has taken with the lender. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

Consumer Credit Act

The Consumer Credit Act 2006 (the **CCA 2006**) which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008.

Under the CCA, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA. The test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the "unfair relationship" test, the

courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FSA "Principles for Businesses" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Ombudsman (as described below). The scheme is mandatory for all businesses licensed under the CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal whose functions have been transferred to the First tier Tribunal under the Transfer of Functions of the Consumer Credit Appeals Tribunal Order 2009/1835 on 1 September 2009.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Charges payable for early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies to credit agreements made on or after 31 May 2005 and applies retrospectively to existing credit agreements from 31 May 2007 or 31 May 2010, depending on their term. These changes to the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

The Seller has interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or the Financial Ombudsman Service (as defined below), then a Loan, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 20 Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer.

FSA Regulation of Mortgage Business

In the United Kingdom, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004 (the date known as **N(M)**).

Since N(M), the following activities: (i) entering into as lender; (ii) servicing (in this context, meaning notifying borrowers of changes in mortgage payments and/or collecting payments due under a mortgage loan); (iii) arranging in respect of; and (iv) advising in respect of regulated mortgage contracts as well as (v) agreeing to do any of those activities, are (subject to exemptions) regulated activities under the FSMA.

A credit agreement is a **Regulated Mortgage Contract** under the FSMA if it is originated on or after N(M) and at the time it is entered into: (i) the credit agreement is one under which the lender provides credit to an individual or trustee; (ii) the contract provides for the repayment obligation of the borrower to be secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom and (iii) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to a trustee) by an individual who is a beneficiary of the trust or by a related person (broadly, the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

The main effects are that, on and after N(M), unless an exclusion or exemption applies (a) each entity carrying on a regulated mortgage activity by way of business has to hold authorisation and permission from the FSA to carry on that activity and (b) each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission from the FSA. It should be noted that the definition of "qualifying credit" is broader than that of "regulated mortgage contract" and may include mortgage loans that are regulated by the CCA or treated as such or unregulated and under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract. If requirements as to authorisation and permission of lenders and brokers or as to the issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract (or, in the case of requirements as to approval and issue of financial promotions, the relevant mortgage loan that is "qualifying credit" or other secured credit in question) will be unenforceable against the borrower except with the approval of a court. An unauthorised person who services a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

The Seller holds authorisation and permission to enter into and to service and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers will be required to hold authorisation and permission from the FSA to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

However, a person who is not an authorised person does not carry on the activity of servicing a Regulated Mortgage Contract where he arranges for another person, being an authorised person with permission to carry on that activity, to service the contract or services the contract himself for a period of not more than one month beginning with the day on which any such arrangement comes to an end. Accordingly, a special purpose vehicle (such as the Issuer) will not carry on the regulated activity of servicing Regulated Mortgage Contracts by having them serviced pursuant to a servicing agreement by an entity having the required authorisation and permission. If such a servicing agreement were to terminate, however, that vehicle would have a period of not more than one month to arrange for mortgage servicing to be carried out by a replacement servicer having the required permission.

Credit agreements that were entered into before N(M) but are subsequently changed such that a new contract is entered into on or after N(M), is regulated under the FSMA where it falls within the definition of "Regulated Mortgage Contract". However, on and after N(M), no variation has been or will be made to a Loan and no Product Switch or Further Advance has been or will be made in relation to a Loan, where it would result in the Issuer advising or arranging in respect of, servicing or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

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

The FSA's Mortgages and Home Finance: Conduct of Business Sourcebook (**MCOB**), which sets out the FSA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. FSA rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments in full on the Notes when due.

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

As some of the Loans to be included in the Portfolio were offered on or after N(M), the FSMA regime as set out above is intended to apply to such Loans, except generally buy-to-let Loans. Although other Loans to be included in the Portfolio were offered prior to N(M), as subsequent Product Switches relating to such Loans were documented as variations to the existing agreements, it is possible that a court could hold that such variations create a Regulated Mortgage Contract. The Seller has given or, as applicable, will give warranties to the Issuer and the Security Trustee in the Mortgage Sale Agreement that, among other things, each relevant Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be remedied, the Seller will be required to repurchase or procure the repurchase of such Loan and its Related Security from the Issuer.

Prior to N(M), in the United Kingdom, self-regulation of mortgage business existed under the Mortgage Code (the **CML Code**) issued by the Council of Mortgage Lenders (the **CML**). The Seller subscribed to the CML Code and on and from N(M), as an authorised person, has been subject to the FSA requirements in MCOB. Membership of the CML and compliance with the CML Code were voluntary. The CML Code set out minimum standards of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998 lender-subscribers to the CML Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the CML Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme or the Mortgage Code Arbitration Scheme. The CML Code ceased to have effect on 31 October 2004 when the FSA assumed responsibility for the regulation of Regulated Mortgage Contracts.

European Directive on Consumer Credit

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit, Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (the **Consumer Credit Directive**), which provides that, subject to exemptions, loans of at least €200 and not exceeding €75,000 between credit providers and consumers will be regulated. This directive requires member states to implement the directive by measures coming into force from 11 June 2010. Draft proposals for implementation were published in July and October 2009.

Loans secured by a land mortgage are, however, exempted from the Consumer Credit Directive and from the first consumer credit directive. The European Commission published a White Paper on mortgage credit in December 2007 (as described below), setting out its tasks for 2008 and 2010 including, amongst other things, an assessment of the regulation of early repayment charges and pre-contract disclosure and interest rate restrictions. The European Commission has stated that, in its view, it is too early to decide on whether a mortgage directive would be appropriate.

Until the final text of any initiatives resulting from the White Paper process is decided and the details of the United Kingdom implementation of the Consumer Credit Directive are finalised, it is not certain what effect the adoption and implementation of the Consumer Credit Directive or any initiatives implemented in respect of mortgage credit would have on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Proposed Mortgage Credit Directive

In July 2005, the European Commission published a Green Paper on mortgage credit, in which it announced its intention that loans secured by a mortgage on land will be excluded from the then proposed Consumer Credit Directive but will be covered by any initiatives resulting from the Green Paper process in relation to mortgage credit. The White Paper on the Integration of EU Mortgage Credit Markets was published on 18 December, 2007. In the paper, the Commission has stated that it is yet to be determined as to whether legislation is the most appropriate way forward. The Commission undertook further assessments and cost-benefit analyses during 2008. The Commission has stated that no directive will be tabled if the costs of legislative measures outweigh their benefits. On 14 March, 2008, the European Commission published a notice, requesting tenders to undertake a nine month study on the costs and benefits of the different policy options for mortgage credit. No assurance can be given that any White Paper initiatives will not adversely affect the ability of the Issuer to make payments under the Notes.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive the prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information.

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

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

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

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

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the agreement itself continues to bind the parties if it is capable of continuing in existence without the unfair term); and
- the OFT and any "qualifying body" within the 1999 Regulations (such as the FSA) may seek to enjoin a business from relying on unfair terms.

The UTCCR will not affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control and if the Borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCCR unless the lender (a) notifies the affected borrower in writing at least 30 days before the rate change and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The guidance note has been withdrawn from the OFT website but may continue to reflect the OFT's view and be a factor that the FSA may take into account.

Under concordats agreed between the FSA and the OFT most recently in November 2009, the division of responsibility for the enforcement of the UTCCR in mortgage loan agreements was agreed to be allocated by them, generally, to the FSA in relation to Regulated Mortgage Contracts under the FSMA originated by lenders authorised by the FSA and the OFT is responsible in relation to the enforcement of the UTCCR in other mortgage contracts.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised.

In the context of the OFT's investigation into credit card default charges, the OFT on 5 April 2006 publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements, including those for mortgages.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it will use its powers under the 1999 Regulations.

The broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any Loans which have been made or may be made to Borrowers covered by the UTCCR may contain unfair terms, which may result in the possible unenforceability of the terms of such Loans.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission published a joint consultation on proposals to rationalise the UK Unfair Contract Terms Act 1977 and the 1999 Regulations into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. The proposals are primarily to simplify the legislation on unfair terms. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is "unfair" and "unreasonable" within the legislation and therefore not binding on the consumer and (b) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Loans.

No assurance can be given that changes in the 1999 Regulations, if enacted, or any changes adopted in guidance on interest variation terms or otherwise, would not have a material adverse effect on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

In *Office of Fair Trading v Abbey National plc and Others* [2009] UKSC 6, the Supreme Court of the United Kingdom held that unauthorised overdraft charges were part of the price payable for the provision of current account services by banks and were therefore not subject to the assessment of fairness under the UTCCR. However, the Supreme Court left open the question of whether or not such charges might be unfair under the UTCCR if not individually negotiated by the customer and contrary to the requirement of good faith.

Decisions of the Ombudsman could lead to some terms of the Loans being varied, which may adversely affect payments on the Notes

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. By transitional provisions, the Ombudsman is required to deal with certain complaints relating to breach of the CML Code. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by an Ombudsman.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May, 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 (**CPUTRs**). The CPUTRs commenced 26 May, 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat commencing on 26 May, 2008 to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPUTRs.

Under the CPUTRs a commercial practice is to be regarded as unfair and prohibited if it is:

- (a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and
- (b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Mortgage Loans, the Seller or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator and /or an action for damages by borrowers who have suffered loss due to such activities. No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

General

No assurance can be given that additional regulatory changes by the OFT, the FSA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

UK Taxation Position of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the **Securitisation Regulations**)), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Regulations), for so long as it satisfies the conditions of the Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Regulations (or subsequently does not), then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction described in this prospectus and as such adversely affect the tax treatment of the Issuer and consequently payment on the Notes.

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 or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg 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).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Basel Committee changes to the framework applied to risk weighted assets may result in changes to the risk-weighting of the Notes

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed by the Basel Committee on Banking Supervision which places enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of the text of the framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the **Framework**). The Framework is not self-implementing and, accordingly, the implementation measures and dates in participating countries are dependant on the relevant national implementation process in those countries.

In July 2009, the Basel Committee finalised certain revisions to the Framework, including changes intended to enhance certain securitisation requirements (e.g. increased risk weights for "resecuritisation" exposures).

In addition, the European Parliament has approved certain amendments to the Capital Requirements Directive (the **CRD**) (including investment restrictions and due diligence requirements in respect of securitisation exposures) and the European Commission has put forward further securitisation related amendments to the European Parliament and the Council of Ministers for consideration (including increased capital charges for relevant trading book exposures and for resecuritisation exposures). As and when implemented, the Framework (and any relevant changes to it or to any relevant implementing measures) may affect the risk-weighting of the Notes for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the implications for them of the application of the Framework and any relevant implementing measures.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes may become payable in Euro; (ii) law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes.

English law security and insolvency considerations

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see "*Summary of Key Transaction Documents — Deed of Charge*"). If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In particular, the ability to realise the security granted by the Issuer may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Issuer. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within

the current exceptions, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify these exceptions.

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

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, and article 150ZA of the Insolvency (Northern Ireland) Order 1989, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of *Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of Fixed Interest Rate Swap Excluded Termination Amounts payable in respect of the Co-op Fixed Interest Rate Swap Agreement (and may be applicable to a JPMSL Fixed Interest Rate Swap Agreement or any replacement fixed interest rate swap agreement) or any Currency Swap Excluded Termination Amount payable in respect of any Currency Swap Agreement.

In this regard, the English Court of Appeal has recently affirmed the decision of the English High Court that such a subordination provision is valid under English law. This decision may be subject to a further appeal to the UK Supreme Court.

However, contrary to the determination of the English courts, the US Bankruptcy Court recently held in the US Lehman Decision that such a subordination provision is unenforceable under the US Bankruptcy Code and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known and certain issues remain subject to a pending status conference among the parties to the dispute. Like the recent English decision, the US decision may be subject to appeal.

If a creditor of the Issuer (such as a Fixed Interest Rate Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Issuer (such as a termination payment due under a swap agreement which has been subordinated as it is being made as a result of that swap provider's insolvency), a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payment which refers to the ranking of a swap provider's payment rights in respect of Fixed Interest Rate Swap Excluded Termination Amounts or Currency Swap Excluded Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy law. More generally, there can be no assurance that such subordination provisions would be upheld under the insolvency laws of any relevant jurisdiction outside England and Wales.

In turn, if the courts of a jurisdiction outside England and Wales do not uphold such provisions, it is unclear whether and to what extent the relevant proceedings and corresponding findings would be recognised by the English courts. While the English courts have been supportive of subordination arrangements generally thus far, there can be no assurance that this position would be unaffected in the context of co-operation between courts in a cross-border insolvency case. As such, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Class A1 Noteholders, the market value of the Class A1 Notes and/or the ability of the Issuer to satisfy its obligations under the Class A1 Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of the Fixed Interest Rate Swap Excluded Termination Amounts and Currency Swap Excluded Termination Amounts, there is a risk that the final outcome of the dispute (including any recognition action by the English courts) may result in negative rating pressure in respect of the Class A1 Notes. If any rating assigned to the Class A1 Notes is lowered, the market value of the Class A1 Notes may reduce.

Limited recourse

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio (b) payments (if any) due from the Interest Rate Swap Providers, (c) interest income on the Bank Accounts, (d) funds available in the Yield Reserve Fund, the Liquidity Reserve Fund and the General Reserve Fund and (e) funds available in other reserve funds (if any). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Each Secured Creditor agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge shall be received and held by it as trustee for the Security Trustee and shall be paid over to the Security Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

Pensions Act 2004

Under the Pensions Act 2004 a person that is 'connected with' or an 'associate' of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as 'connected to' an employer under an occupational pension scheme which is within the Co-op Bank Group.

A contribution notice could be served on the Issuer if it was party to an act, or a deliberate failure to act and either (A), the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due or (B), in the opinion of the UK Pensions Regulator it has detrimentally affected in a material way the likelihood of accrued scheme benefits being received. A contribution notice can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

A financial support direction could be served on the Issuer where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

If a contribution notice or financial support direction were to be served on the Issuer this could adversely affect the interests of the Noteholders.

Co-op Bank Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on Co-op Bank Group's operating results, financial conditions and prospects.

Co-op Bank Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government intervention in the banking sector, which the Co-op Bank Group expects to continue. Future changes in regulation, fiscal or other policies are

unpredictable and beyond the control of Co-op Bank Group and could materially adversely affect the Co-op Bank Group's businesses.

Areas where changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy, or changes in regulatory regimes that: may significantly influence investor decisions in particular markets in which the Co-op Bank Group operates; may change the structure of those markets and the products offered; or may increase the costs of doing business in those markets;
- other general changes in regulatory requirements, such as prudential rules relating to the capital adequacy or liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by the Co-op Bank Group historically;
- changes in competition and pricing environments;
- further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Co-op Bank Group's products and services.

In the UK and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular retail banking and in the UK, the Competition Commission and the OFT are currently carrying out several inquiries. In recent years, there have been several issues in the UK financial services industry in which the FSA has intervened directly, including the sale of personal pensions and the sale of mortgage related endowments.

In light of the ongoing market uncertainty, the Co-op Bank Group expects to face increased regulation and political and regulatory scrutiny of the financial services industry. The UK Government, FSA or other regulators, in the UK or overseas, may intervene further in relation to the areas of industry risk already identified, or in new areas, which could adversely affect the Co-op Bank Group. Any such regulatory developments or changes may have a negative impact on Co-op Bank Group's results and may have an impact on the ability of Co-op to perform its obligations under the transaction documents and ultimately adversely affect the interests of the Noteholders.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase the Co-op Bank Group's costs, impede the efficiency of its internal business processes, limit its ability to pursue business opportunities, or diminish its reputation. Any of these consequences could have a material adverse effect on the Co-op Bank Group's operating results, financial condition and prospects which may impact upon the ability of the Co-op to perform its obligations under the Transaction Documents which may ultimately affect the interests of the Noteholders.

The Co-op Bank Group is exposed to various forms of legal and regulatory risk including the risk of misselling financial products, acting in breach of legal or regulatory principles or requirements and

giving negligent advice, any of which could have a negative impact on its results or its relations with its customers

The Co-op Bank Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- (a) certain aspects of the Co-op Bank Group's business may be determined by the authorities, the Ombudsman or the courts as not being conducted in accordance with applicable laws, or, in the case of FOS, with what is fair and reasonable in the Ombudsman's opinion;
- (b) the possibility of alleged misselling of financial products by or attributed to a member of the Co-op Bank Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers; all of which may require additional provisions;
- (c) contractual obligations may either not be enforceable as intended or may be enforced against the Co-op Bank Group in an adverse way;
- (d) the Co-op Bank Group holds accounts for a number of customers that might be or are subject to interest from various regulators including the Serious Fraud Office, those in the U.S. and others. The Co-op Bank Group is not aware of any current investigation into the Co-op Bank Group as a result of any such enquiries but cannot exclude the possibility of the Co-op Bank Group's conduct being reviewed as part of any such investigations;
- (e) the intellectual property of the Co-op Bank Group (such as its trade names) may not be adequately protected; and
- (f) the Co-op Bank Group may be liable for damages to third parties harmed by the conduct of its business.

In addition, the Co-op Bank Group faces risk where legal or regulatory proceedings or the Ombudsman or other complaints are brought by, amongst others, customers, counterparties, shareholders and regulators against it in the UK High Court or elsewhere or in jurisdictions outside the UK, including other European countries and the United States. For example, a major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on the Co-op Bank Group's operations and/or financial condition especially to the extent the scope of any such proceedings expands beyond original focus.

Failure to manage these risks adequately could impact the Co-op Bank Group adversely, both financially and reputationally through an adverse impact on the Co-op Bank Group's brands which may impact upon the ability of the Co-op to perform its obligations under the Transaction Documents which may ultimately affect the interests of the Noteholders.

Risks related to Investor Redemption Option at Par Minus Class A Principal Deficiency

Condition 7.5 provides that in respect of the relevant Investor Redemption Date, any of the outstanding Class A Notes in respect of which a valid Redemption Instruction has been delivered will be redeemed by the Issuer at the Maturity Redemption Amount in accordance with Condition 7.5.

The Issuer is not obliged to redeem the Relevant Class A Notes if an Event of Default has occurred which is continuing on the Investor Redemption Date or to the extent that the Class D VFN Holder fails to fund its obligation under the Class D VFN or if the Class D VFN Holder has become insolvent.

Investors should consider carefully the risk posed if (a) an Event of Default has occurred which is continuing on the Investor Redemption Date or (b) The Co-operative Bank p.l.c. in its capacity as Class D VFN Holder (as a result of its insolvency or otherwise) defaults in its obligations to fund an amount due under the Class D VFN equal to the Maturity Redemption Amount to facilitate the redemption of the Relevant Class A Notes on the Investor Redemption Date. Investors should note that the Issuer will have no other funds to fund the redemption of the Relevant Class A Notes other than funding by the Class D VFN holder in the Class D VFN. In such situations a Class A1 Noteholder may be unable to effect the redemption of its Class A1 Notes on the relevant Investor Redemption Date. In addition, the Relevant Class A Notes may be subject on any Step-Down Date relating to the Class A1 Notes (which may occur on or after the Expected Maturity Date) to a decrease in the margin which would have an adverse effect on the yield of such Class A1 Notes.

Investors should also note that a failure by the Issuer to redeem the Relevant Class A Notes on the Investor Redemption Date as a result of the failure of the Class D VFN Holder to fund its obligations under the Class D VFN in an amount equal to the Maturity Redemption Amount will not cause an Event of Default under the Notes.

Investors should note that they may be reliant on the financial condition of the Class D VFN Holder as of the relevant Investor Redemption Date to the extent the Class D VFN holder becomes obliged to fund its obligations under the Class D VFN in an amount equal to the Maturity Redemption Amount to fund the redemption of the Relevant Class A Notes.

The redemption arrangements relating to the Class A1 Notes which are subject to investor redemption option depend on the facilities of Euroclear and Clearstream, Luxembourg. If Definitive Notes are issued in any circumstances described in this Prospectus, or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the redemption of the Relevant Class A Notes by the Issuer as contemplated in Condition 7.5 (*Investor Redemption Option at Par minus Class A Principal Deficiency*) or if such mechanisms are disrupted, then the redemption arrangements established for the Relevant Class A Notes may no longer be able to be implemented within the timeframe envisaged and/or may be delayed as described in "Transaction Overview" above.

Step-Down Date

Reference to a change in the Margin, in respect of the Class A1 Notes on the Step-Down Date refers to a negative change in such Margin.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Initial Portfolio

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the Initial Consideration to the Seller and a portfolio of English and Welsh residential mortgage loans and their associated mortgages and other Related Security (together, the **Loans**) will become subject to a bare trust (the **CCA Trust**) declared by the Seller in favour of the Issuer, and will be held by the Seller on bare trust for the Issuer until such time as the Issuer notifies the Seller that the Issuer has obtained the requisite licence under the CCA (the **Effective Date**). Upon the occurrence of the Effective Date, those residential mortgage loans (the **Initial Loans**) and their associated mortgages (the **Initial Mortgages**) and other Related Security (the **Initial Related Security**) will be assigned by way of equitable assignment to the Issuer, in each case referred to as the **sale** by the Seller to the Issuer of the Initial Loans and Initial Related Security. The Initial Loans and Initial Related Security and all monies derived therefrom from time to time are referred to herein as the **Initial Portfolio**.

Any further sale of Loans after the Closing Date and until the Effective Date will be given effect by their becoming subject to the CCA Trust (together with their Related Security). Upon the occurrence of the Effective Date all such Loans (together with their Related Security) will be assigned by way of equitable assignment to the Issuer. Any sale of Loans after the Effective Date will be given effect by equitable assignments only.

The consideration due to the Seller in respect of the sale of the Initial Portfolio is payable on the Closing Date and is the aggregate of:

- (a) an amount equal to the Current Balance of the Loans in the Initial Portfolio on the Closing Date (the **Initial Consideration**); and
- (b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the Initial Portfolio.

The Deferred Consideration will be paid in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer,*" below.

The terms **sale**, **sell** and **sold** when used in the Mortgage Sale Agreement and the other Transaction Documents in connection with the Loans and their Related Security are construed to mean in the case of the Loans and their Related Security subject to the CCA Trust, such Loans and Related Security being held on such trust.

The terms **repurchase** and **repurchased** when used in the Mortgage Sale Agreement and the other Transaction Documents in connection with the Loans and their Related Security are construed to include the repurchase of the beneficial interest of the Issuer in respect of such Loan and Related Security under the CCA Trust.

New Loans

On any Business Day occurring during the period from the Closing Date to the earlier to occur of (a) an Event of Default and (b) 25 August 2010, being six months from the Closing Date (the **Further Sale Period End Date** and such period the **Further Sale Period**, respectively), the Issuer may apply the proceeds of the issue of any New Class A Notes or Further Class A1 Notes together with the proceeds of further funding

under the Class B1 VFN to purchase from the Seller new portfolios (**New Portfolios**, comprised of **New Loans**) together with their associated mortgages (the **New Mortgages** and together with the Initial Mortgages, as the context requires, the **Mortgages**, and together with the other security for the New Loans (the **New Related Security** and, together with the Initial Related Security, as the context requires, the **Related Security**). The Loans and the Related Security and all monies derived therefrom from time to time are referred to herein as the Portfolio. The "Loans" and "Related Security" are further defined in "*Transaction Overview*".

The consideration for the sale of such New Loans and their New Related Security to the Issuer will consist of:

- (a) the Issuer paying to the Seller an amount equal to the aggregate of the Current Balance of the New Loans (the **New Portfolio Purchase Price**); and
- (b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the New Loans.

The Seller will select the New Loans to be offered to the Issuer during the Further Sale Period on any date on which the Issuer issues Further Class A1 Notes or New Class A Notes, using a system containing defined data on each of the qualifying New Loans in the Closing Date Portfolio in the Seller's portfolio of Loans identified on the Closing Date and audited by means of a random sample prior to the Closing Date. This system allows the setting of exclusion criteria, among others, corresponding to the Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see "*Summary of the Transaction Documents — Mortgage Sale Agreement — Representations and Warranties*" below). Once the criteria have been determined, the system identifies all Loans owned by the Seller that are consistent with the criteria. From this subset, New Loans are selected at random until the target balance for New Loans has been reached or the subset has been exhausted. After a portfolio of New Loans is selected in this way, the constituent New Loans are monitored so that they continue to comply with the relevant criteria on the date of transfer. Please see further "*The Loans*" below.

The sale of New Loans and the New Related Security to the Issuer will in all cases also be subject to the Loans complying with the Eligibility Criteria and the New Loan Conditions set out in Condition 16.1 being complied with on the relevant date the New Loans are sold (in respect of any Loan, its **Sale Date** or **relevant Sale Date**):.

The Seller will not sell New Portfolios to the Issuer after the Further Sale Period End Date.

Title to the Mortgages, registration and notifications

The completion of the transfer of the Loans and Related Security (and where appropriate their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers to the Issuer will be completed on or before the twentieth Business Day after the later to occur of the Effective Date and the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or

- (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event,

(each of the events set out in paragraphs (a) to (e) inclusive being a **Perfection Event**).

A **Seller Insolvency Event** will occur in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding up of the Seller; or
- (b) the Seller stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Seller is unable to pay its debts as they fall due.

If any of the Perfection Events described above occurs prior to the Effective Date, the Seller shall send written notice to each Borrower in respect of a Loan informing such Borrower of, *inter alia*, the interests of the Issuer in such Loan and its Related Security pursuant to the CCA Trust. Legal assignment of the Loans and notice of the legal assignment will be given to the Borrowers upon the Issuer having obtained a CCA licence. The Issuer is currently in the process of obtaining such a licence.

The title deeds and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the title deeds and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

Neither the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations, but each is relying entirely on the representations and warranties made by the Seller contained in the Mortgage Sale Agreement.

Loan Porting

If a Borrower ports a Loan comprised in the Portfolio, such Loan will be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the next Interest Payment Date.

Eligibility Criteria

The sale of Loans and their Related Security to the Issuer will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the Closing Date and the relevant Sale Date, including:

- (a) no Event of Default shall have occurred which is continuing as at the relevant Sale Date;

- (b) the Issuer, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the purchase of the New Portfolio on the Sale Date, would adversely affect the then current ratings by Moody's or Fitch of the Class A1 Notes;
- (c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.30 per cent. greater than LIBOR for three month Sterling deposits after taking into account:
 - (i) the weighted average yield on the Loans;
 - (ii) the margins on the Interest Rate Swaps and any additional interest rate swaps entered into by the Issuer; and
 - (iii) the amount available to be withdrawn from the Yield Reserve Fund taking into account amounts credited to the Yield Reserve Fund on such date;
- (d) the Loan is not a Capped Rate Loan, unless the Issuer has entered into a interest rate cap agreement in a form and substance which complies with Moody's and Fitch's interest rate hedging criteria at that time; and
- (e) if the sale of loans which are proposed to be New Loans on the relevant Sale Date includes the sale of New Loan Types to the Issuer, the then current rating of the Class A1 Notes will not be downgraded, withdrawn or qualified as a result of such New Loan Type's inclusion in the Portfolio.

On the relevant Sale Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch, a Flexible Drawing, a Rearrangement or Further Advance, then if any of the Eligibility Criteria referred to in paragraphs (a), (c) and (d) above relating to the Loan subject to that Product Switch, Flexible Drawing, a Rearrangement or Further Advance is not satisfied on the Monthly Test Date immediately following the Monthly Period in which such Product Switch, Flexible Drawing, Rearrangement and/or Further Advance was made, the Issuer will be entitled to rectify the relevant breach of those Eligibility Criteria by (in the event of a breach of the Eligibility Criteria in paragraphs (a), (c) and (d) above) requiring the Seller to repurchase the Loans subject to any Product Switch, Flexible Drawing, Rearrangement or Further Advance on the next Monthly Pool Date in accordance with the provisions of the Mortgage Sale Agreement.

If the Servicer accepts an application from, or makes an offer (which is accepted) to a Borrower for a change to that Borrower's Mortgage Conditions which would result in a Rearrangement, the Issuer will, in its sole discretion serve on the Seller a Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan which is the subject of the Rearrangement and its Related Security on the next Monthly Pool Date in accordance with the Mortgage Sale Agreement, provided that the Seller will be at liberty to offer to sell the relevant Loan(s) back to the Issuer in accordance with the Mortgage Sale Agreement.

Representations and Warranties

The Seller will represent and warrant to the Issuer and the Security Trustee in the Mortgage Sale Agreement the Loan Warranties (as defined below) in each case subject to certain additional amendments and conditions as set out in the Mortgage Sale Agreement:

- (a) in respect of each Loan and its Related Security in the Initial Portfolio as at the Closing Date;

- (b) in respect of each New Loan and its Related Security in the New Portfolio, as at the relevant Sale Date;
- (c) in relation to any Further Advance as at the relevant Advance Date;
- (d) in relation to each Loan which is subject to a Product Switch as at the relevant Switch Date; and
- (e) in relation to each Loan which is subject to a Rearrangement as at the relevant Rearrangement Date.

The **Loan Warranties** to be given by the Seller will include, *inter alia*, the following warranties:

1. Loans

- (a) Each Loan was originated or purchased by the Seller in the ordinary course of business and was denominated in pounds Sterling upon origination (or was denominated in euro upon origination or acquisition if the euro has been adopted as the lawful currency of the United Kingdom).
- (b) No Loan has a Current Balance of more than £1,600,000.
- (c) Prior to the making of each Initial Advance and Further Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (d) The Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender.
- (e) Each Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.
- (f) At least one monthly payment due in respect of each Loan has been paid by the relevant Borrower.
- (g) The Current Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.
- (h) The rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto.
- (i) No agreement for any Loan is in whole or in part a regulated agreement or consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974 (as amended, extended or re enacted from time to time) (the CCA)) or, to the extent that any Loan is in whole or in part a regulated agreement or consumer credit agreement, the procedures and requirements set out in the Consumer Credit Act 1974 have been complied with in all material respects.
- (j) All of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date they executed the relevant Mortgage.

- (k) Each Loan has a term ending no later than 20 December 2049.
- (l) Each Loan and its Related Security is valid, binding and enforceable in accordance with its terms and is non-cancellable except in the case of some Flexible Loans in respect of which a Mortgage may constitute valid and subsisting first and second charges by way of legal mortgage over the relevant Property, and subject only in certain appropriate cases to requisite applications for registrations or recordings at the Land Registry having been made and which are pending and, in relation to such cases, the Seller is not aware of any caution, notice, inhibition or any other matter that would prevent such registration or recording.
- (m) All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the Issuer, of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the Issuer, the Security Trustee or any of their successors in title or assigns.
- (n) No Related Security consists of "stock" or "marketable" securities (in either case for the purposes of Section 122 of the Stamp Act 1891), "chargeable securities" (for the purposes of Section 99 of the Finance Act 1986) or a "chargeable interest" for the purposes of Section 48 of the Finance Act 2003.
- (o) Save in respect for Product Switches or Rearrangements none of the provisions of the Loans have been waived, altered or modified in any way by the Seller other than:
 - (i) any variation agreed with a Borrower to control or manage arrears on a Loan;
 - (ii) any variation in the maturity date of a Loan;
 - (iii) any variation imposed by statute or as a result of UK government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;
 - (iv) any variation to the interest rate as a result of the Borrowers switching to a different rate;
 - (v) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan or removal of a Borrower;
 - (vi) any change in the repayment method of the Loan; or
 - (vii) any partial release of security where, after such release, the Loan continues to satisfy the applicable LTV Ratio requirements.
- (p) No Loan is identified in the records of the Seller as being a Staff Product.
- (q) No Loan is greater than one monthly payment in arrears.
- (r) So far as the Seller is aware, no Borrower is in breach of any obligation under a Loan other than in respect of Monthly Payments.
- (s) No Loan is a Buy to Let Loan or a Right to Buy Loan.

2. Mortgages

- (a) Subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry, the whole of the Current Balance on each Loan is secured by a Mortgage or Mortgages over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage (or in the case of some Flexible Loans, a valid and subsisting first and second charge by way of legal mortgage).
- (b) Each Mortgage is substantially in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.
- (c) The Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage and, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the relevant local authority which has not been postponed) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds.

3. The Properties

- (a) All of the Properties are in England or Wales.
- (b) Each Property constitutes a separate dwelling unit and is either freehold, leasehold or commonhold or held under a long lease.
- (c) Every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to the Seller as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent.
- (d) As far as the Seller is aware, no Property has been let by the Borrower otherwise than by way of:
 - (i) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; or
 - (ii) an assured tenancy,in each case which meets the Seller's Policy in connection with lettings to non-owners.
- (e) No Loan relates to a Property which is not a residential Property.

4. Valuers' and Solicitors' Reports

- (a) In the case of each Loan, the Seller caused to be made on its behalf a valuation of the relevant Property by a valuer or an AVM in all material respects in accordance with the Lending Criteria.

- (b) The Seller has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security.
- (c) Prior to making a Loan to a Borrower the Seller:
 - (i) caused its approved solicitors or approved conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England and Wales; and
 - (ii) received a Certificate of Title from Approved Solicitors or Approved Conveyancers relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or
 - (iii) arranged for its interest in the Property to be insured under any Title Insurance Policy applicable to such Property and the Seller is insured under such policy.

5. Buildings Insurance

As far as the Seller is aware, each Property is insured (from the date of completion of the relevant Loan):

- (i) under the Third Party Buildings Policies;
- (ii) with a reputable insurance company approved by the Seller;
- (iii) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales, advancing money on the security of residential property; and
- (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer.

6. The Seller's Title

- (a) Immediately prior to the purchase of any Loan and the Related Security by the Issuer, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by the Seller to the Issuer pursuant to the Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either Section 3(xvi) of the Land Registration Act 1925) subject in each case only to the Mortgage Sale Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee (or which would be implied if the relevant Land Registry Transfers were completed and registered or recorded, as appropriate).
- (b) As far as the Seller is aware, all steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.

- (c) The Loan Files relating to each of the Loans and their Related Security are held by, or are under the control of:
 - (i) the Seller; or
 - (ii) the relevant Servicer.
- (d) Neither the entry by the Seller into the Mortgage Sale Agreement nor any transfer, assignment or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.
- (e) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make on a case by case basis.

7. Interest Rates payable under the Loans

- (a) Each Loan in the relevant Portfolio is either:
 - (i) a Variable Rate Loan, Tracker Rate Loan, Capped Rate Loan or Fixed Rate Loan; or
 - (ii) a New Loan Type which will not result in the then current ratings of the Class A1 Notes being downgraded, withdrawn or qualified.

8. FSA Regulation

- (a) In respect of any Mortgages entered into after 31 October 2004, the Seller was authorised by and had permission from the FSA for entering into regulated mortgage contracts as lender at the time that it entered into each such Mortgage and continues to be so authorised and hold such permission.
- (b) From and including 31 October 2004 the Seller is authorised by and had permission from the FSA for conducting any other regulated activities (as set out in the FSMA (Regulated Activities) Order 2001, as amended (the **Order**)) in respect of a regulated mortgage contract (as defined in Article 61(3)(a) of the Order in respect of the Mortgages.
- (c) The Seller has complied in all material respects with all regulatory requirements in respect of the Mortgages, in particular the provisions of MCOB.
- (d) The Seller is not aware of any pending action or proceeding by an applicant against the Seller in respect of the Mortgages.
- (e) Each officer or employee of the Seller in any capacity which involves a controlled function (as defined in the FSA Rules) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the FSA Rules.
- (f) The Seller has created and maintained all records in respect of the Mortgages in accordance with the FSA Rules and any other Regulatory Requirement.
- (g) The Seller has not altered the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed any of the terms and conditions relating to any Loan other than in accordance

with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower other than as requested by a Borrower.

9. General

- (a) The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan.
- (b) Neither the Seller nor as far as the Seller is aware any of its agents has received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan or Related Security which (if adversely determined) might have a material adverse effect on the value of the Portfolio or any part of it.
- (c) There are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under this Agreement or to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained.

Buy to Let Loans means Loans taken out by Borrowers in relation to the purchase or re-mortgage of properties for letting purposes;

Capped Rate Loan means a Loan to the extent that and for such time that the interest rate payable by the relevant Borrower on all or part of the outstanding principal balance is variable but will not increase above a fixed rate for a certain period of time by the Seller;

Fixed Rate Loan means a Loan or any sub-account(s) of such Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding principal balance does not vary and is fixed for a certain period of time by the Seller;

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower (including any commitment to fund any further amount which has not yet been advanced or any further amount advanced but not yet drawn) following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

Loan Agreement means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the Seller, as amended and/or restated from time to time;

Loan Files means the file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing inter alia correspondence between the Borrower and the Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's or licensed conveyancer's certificate of title;

Monthly Payment means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan;

Mortgage Conditions means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

Mortgage Deed means, in respect of any Mortgage, the deed in written form creating that Mortgage;

New Loans means Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may sell to the Issuer (subject to the CCA Trust) after the Closing Date pursuant to the Mortgage Sale Agreement;

New Loan Type means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Issuer, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans comprised in the Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash backs and/or rate guarantees or if it has flexible features;

Right to Buy Loan means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under Section 156 of the Housing Act 1985 excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired;

Staff Product means a staff mortgage product offered to employees of the Co-op;

Standard Documentation means the standard documentation, a list of which is set out in Part 2 of the Appendix to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;

Switch Date means the date that the Product Switch is made;

Third Party Buildings Policies means the buildings insurance policies referable to each Property;

Title Deeds means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

Title Insurance Policy means each of the title insurance policies set out in the Mortgage Sale Agreement together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans; together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans;

Tracker Rate Loan means a Loan or any sub-account(s) of such Loan to the extent that and for such period that its Mortgage Conditions provide that it is subject to an interest rate which is linked to a variable interest rate other than the Standard Variable Rate;

Valuation Report means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller; and

Variable Rate Loans means those Loans or any sub-account(s) of such Loan to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans or any sub-account(s) of such Loan during the period that they are Fixed Rate Loans or Tracker Rate Loans).

Further Advances, Flexible Drawings, Product Switches and Rearrangements

As used in this Prospectus, **Initial Advance** means all amounts advanced by the Seller to a Borrower under a Loan other than a Further Advance. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Further Advances and Flexible Drawings.

Further Advances: Subject to the Pre-Funded Purchase Available Amount being sufficient for such purpose, the Issuer shall purchase Further Advances from the Seller on the date that the relevant Further Advance is advanced to the relevant Borrowers by the Seller (the **Advance Date**). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the **Further Advance Purchase Price**) on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred by using amounts standing to the credit of the Retained Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the amounts standing to the credit of the Retained Principal Receipts Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the VFN Commitment Termination Date, make a drawing under the Class B2 VFN in an amount equal to the difference between the amounts standing to the credit of the Retained Principal Receipt Ledger and the Further Advance Purchase Price and use such proceeds of the Class B2 VFN to fund the purchase of Further Advances under the Loans. The Issuer will only be permitted to purchase Further Advances (together with any Flexible Drawings) in an amount up to the Pre-Funded Purchase Available Amount from time to time. If (a) the Issuer is unable to fund the purchase of any Further Advance from funds standing to the credit of the Retained Principal Receipts Ledger and the Class B2 VFN Holder fails to advance an amount equal to such shortfall in the Further Advances Purchase Price to be paid on the Monthly Pool Date or (b) the Pre-Funded Purchase Available Amount is not sufficient to collateralise the Loan relating to the Further Advance, the Issuer shall not complete the purchase of the relevant Further Advance and the Seller must repurchase the related Loan and its Related Security at its Current Balance on the next Monthly Pool Date (excluding the amount of the Further Advance) determined as at the relevant Monthly Period End Date in accordance with the terms of the Mortgage Sale Agreement.

If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred or on any other subsequent Monthly Test Date that any of the Asset Conditions have not been met as at the relevant Monthly Test Date then the relevant Loan and its Related Security must (subject as provided below) be repurchased by the Seller at its then Current Balance on the Monthly Pool Date immediately following that Monthly Test Date in accordance with the provisions of the Mortgage Sale Agreement.

Neither the Servicer nor the Seller shall make an offer to a Borrower for a Further Advance if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Flexible Drawings: Flexible loan products, (**Flexible Loans**) where the Borrower has exercisable redraw rights (resulting in a **Flexible Drawing**) under the relevant Loan may form part of the Portfolio if the Borrower requests a Product Switch. The Initial Portfolio will not contain any Flexible Loans.

Subject to the Pre-Funded Purchase Available Amount being sufficient for such purpose, the Issuer shall purchase Flexible Drawings from the Seller on the date that the relevant Flexible Drawing is advanced to the relevant Borrowers by the Seller (the **Drawing Date**). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Flexible Drawing (the **Flexible Drawing Purchase Price**) on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Drawing Date occurred by using amounts standing to the credit of the Retained Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the amounts standing to the credit of the Retained Principal Receipts Ledger would not be sufficient to fund such Flexible Drawing Purchase Price, the Issuer will, prior to the VFN Commitment Termination Date, make a drawing under the Class B2 VFN in an amount equal to the

difference between the amounts standing to the credit of the Retained Principal Receipt Ledger and the Flexible Drawing Purchase Price and use such proceeds of the Class B2 VFN to fund the purchase of Flexible Drawings under the Loans. The Issuer will only be permitted to purchase Flexible Drawings (together with any Further Advances) in an amount up to the Pre-Funded Purchase Available Amount from time to time. If (a) the Issuer is unable to fund the purchase of any Flexible Drawings from funds standing to the credit of the Retained Principal Receipts Ledger and any corresponding drawing under the Class B2 VFN fails to advance an amount equal to such shortfall in the Flexible Drawing Purchase Price to be paid on the Monthly Pool Date or (b) the Pre-Funded Purchase Available Amount is not sufficient to collateralise the loan relating to the Flexible Drawing, the Issuer may not complete the purchase of the relevant Flexible Drawing and the Seller must repurchase the related Loan and its Related Security at its Current Balance on the next Monthly Pool Date (excluding the amount of the Flexible Drawing) determined as at the relevant Monthly Period End Date in accordance with the terms of the Mortgage Sale Agreement.

If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the relevant Flexible Drawing was made or on any subsequent Monthly Test Date any of the relevant Asset Conditions have not been met as at the Monthly Test Date, then the relevant Loan and its Related Security must (subject as provided below) be repurchased by the Seller at its then Current Balance on the Monthly Pool Date immediately following that Monthly Test Date in accordance with the terms of the Mortgage Sale Agreement.

Neither the Servicer nor the Seller shall make an offer to a Borrower for a Flexible Drawing if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so

Product Switches: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio provided that it satisfied the Asset Conditions and it is a Permitted Product Switch. If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the Product Switch was made that any of the Asset Conditions have not been met, the Product Switch was not a Permitted Product Switch or on any other subsequent date that any applicable Loan Warranty made by the Seller in respect of a Loan which is the subject of a Product Switch and which remains in the Portfolio was materially untrue as at its Switch Date, and that default has not been remedied within 90 days of receipt of notice from the Issuer, the relevant Loan and its Related Security must be repurchased by the Seller on the Monthly Period End Date immediately following the Monthly Test Date as provided for by the Mortgage Sale Agreement.

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Switch if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Product Switch means any variation in the financial terms and conditions applicable to a Loan (including, without limitation, any switch by a Borrower to a Flexible Loan) other than any variation:

- (i) agreed with a Borrower to control or manage arrears on the Loan;
- (ii) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes;
- (iii) imposed by statute;

- (iv) in the rate of interest payable in respect of a Loan where that rate is actively marketed to the Borrowers of more than 10 per cent. by Current Balance of the Loans in the Portfolio in any Interest Period, provided (a) suitable hedging arrangements will be in place for such Loan for the term of such Loan, which for non-floating rates will be compliant with Moody's and Fitch criteria; and (b) the current balance of the Yield Reserve Fund is either (A) greater than or equal to the Yield Reserve Required Amount, or (B) increased to an amount greater than or equal to the Yield Reserve Required Amount through a drawing under the Class C VFN;
- (v) in the frequency with which the interest payable in respect of the Loan is charged; or
- (vi) which is a Rearrangement and does not result in a change of the rate of interest payable on the Loan or a change in its repayment type,

where in the case of (iv) (a) above, the notional of the relevant Interest Rate Swap would be adjusted to take account of a change to or from a fixed or floating rate until the maturity of such Loan or Loans.

Permitted Product Switch is a Product Switch where:

- (a) the relevant Borrower has made at least one Monthly Payment, in full, on its Loan;
- (b) the new loan for which the prior Loan is to be exchanged is subject to either a Fixed Rate, the Seller's Variable Rate or a Base Rate linked rate of interest; and
- (c) on the Monthly Test Date immediately following the making of the Product Switch, each of the conditions as set forth under "*Conditions for Product Switches and Further Advances*" below are satisfied.

Rearrangements: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower a change to its Mortgage Conditions (and the Borrower may accept), or a Borrower may request a change to its Mortgage Conditions, which results in a Rearrangement. Any Loan which has been subject to a Rearrangement will be repurchased by the Seller on the Business Day following the relevant date such Rearrangement was made (the **Rearrangement Date**) and the Seller will pay the Issuer an amount equal to the Current Balance of such Loan as at the Business Day immediately following the Rearrangement Date. The repurchase price for such Loan will be paid by the Seller in cash and the Issuer will credit the principal element of the repurchase price for the Rearrangement to the Rearrangement Purchase Ledger and the accrued interest element to Available Revenue Receipts. Any Loan which is the subject of a Rearrangement may be resold to the Issuer on the Monthly Pool Date immediately succeeding the Monthly Period in which such Rearrangement Date occurred. If it is determined on the Monthly Test Date immediately following the Monthly Period in which the Rearrangement occurred that the Loan Warranties or paragraphs (a), (c) and (d) of the Eligibility Criteria were not met in respect of the Rearrangement (as applicable) as of the relevant Monthly Pool Date, the Seller shall repurchase the Loan on the Monthly Pool Date immediately following such Monthly Test Date.

On each Monthly Pool Date, the Issuer will first apply funds standing to the credit of the Rearrangement Purchase Ledger to purchase the principal element of Loans which are the subject of a Rearrangement that are offered for sale by the Seller to the Issuer. In addition, where such Loans have been subject to a Further Advance or Flexible Drawing, the Issuer will apply funds standing to the credit of the Retained Principal Receipts Ledger to purchase the principal element of such Further Advance or Flexible Drawing, if there are insufficient funds standing to the credit of the Retained Principal Receipts Ledger to fund such amounts, the Issuer shall be entitled to request a drawing under the Class B2 VFN to fund such purchase. The Rearrangement Revenue Element of the purchase price (which is equal to the interest accrued on the relevant Loan since the Rearrangement Date) for the Rearrangement will be funded from Revenue Receipts. If there are insufficient Revenue Receipts to fund the purchase of the Rearrangement Revenue Element of

the purchase price of any Rearrangement, the Issuer will use the proceeds of the Class B2 VFN to fund such shortfall.

Repurchase by the Seller

The Seller will be required to repurchase any Loan, Further Advance, Product Switch or Rearrangement sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan, Further Advance, Flexible Drawing, Product Switch or Rearrangement (as applicable) and/or its Related Security proves on any date after the Closing Date, Sale Date, Advance Date, Switch Date or Rearrangement Date (as applicable) to be materially untrue as at the Closing Date, Sale Date, Advance Date, Switch Date or Rearrangement Date (as applicable), and that default has not been remedied within 90 days of receipt of notice from the Issuer, on the next Business Day following receipt by the Seller of a Loan Repurchase Notice.

The Seller will also be required to repurchase any Loan which is subject to a Further Advance, Flexible Drawing, Product Switch or Rearrangement pursuant to and in accordance with the terms of the Mortgage Sale Agreement if any of the Asset Conditions are not satisfied on the Monthly Test Date immediately following the Monthly Period in which such Further Advance, Flexible Drawing, Product Switch or Rearrangement was made.

The Seller will also be required to repurchase a Loan which is the subject of a Further Advance or Flexible Drawing if the Issuer has insufficient funds to purchase such Further Advance or Flexible Drawing, or the Pre-Funded Purchase Available Amount is insufficient to collateralise the Loan relating to the Further Advance or Flexible Drawing.

New Loan Types

In the future a Borrower may request a Product Switch to a loan product with different features to those Loans contained in the Closing Date Portfolio. Provided that the Product Switch is a Permitted Product Switch the Asset Conditions have been met as of the Monthly Test Date immediately following the Monthly Period in which such Switch Date occurred and the Loan Warranties as of the relevant Switch Date, the Seller will not be required to repurchase the Loan and it will remain in the Portfolio.

Interest Rate Hedging

If a JPMSL Fixed Interest Rate Swap Agreement has a notional balance greater than zero or if a Replacement Fixed Interest Rate Swap Provider is appointed on terms similar to those set out in a JPMSL Fixed Interest Rate Swap Agreement, then if any back-to-back swap arrangement relating to that swap agreement is terminated, the Seller must repurchase any Loan that was subject to a Further Advance, Product Switch, Rearrangement or Flexible Drawing which has the effect of causing an increase or decrease in the Fixed Loan Balance of the relevant fixed interest rate swap or a change in the duration of the fixed rate period of any loan or increasing or decreasing the Fixed Rate applicable to any Loan if the Issuer is not able to make a drawing under the Class C VFN to make a payment under the swap in respect of that Loan or Loans or the Seller does not pay such amounts on behalf of the Issuer. No amounts will be due from the Issuer to the JPMSL Fixed Interest Rate Swap Provider, unless, the Class C VFN Holder funds such amounts through the Class C VFN or if the Class C VFN Holder fails to do so, the Seller pays such amounts. For the avoidance of doubt, while the Co-op acts as Co-op Fixed Interest Rate Swap Provider, such provisions will not apply.

Asset Conditions

In order for any New Portfolio to be sold to the Issuer and for any Loan which has been the subject of a Product Switch, Flexible Drawing or a Further Advance to remain in the Portfolio, the following conditions

(the **Asset Conditions**) must be complied with as of the relevant Sale Date or as at the relevant Switch Date, Drawing Date or Advance Date (as applicable) immediately following the making of the Product Switch, Drawing Date or the Further Advance. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the New Portfolio, Product Switch, Flexible Drawing or Further Advance took place.

The Asset Conditions are:

- (i) no Event of Default shall have occurred which is continuing or unwaived as at the relevant Monthly Test Date and either (a) conditions (ii) to (xiii) below are satisfied, or (b) a drawing is made under the Class B1 VFN in an amount equal to the Current Balance of the affected Loan where the Cash Manager will apply the principal balance of such amount as Principal Receipts;
- (ii) as at the relevant Monthly Test Date, the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in Arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date (and provided that advance notice in writing of such calculation has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the rated notes as a consequence thereof);
- (iii) as at the relevant Monthly Test Date, the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class C VFN in order to replenish the General Reserve Fund to the General Reserve Fund Required Amount;
- (iv) the Cash Manager is not aware that the then current ratings of the Class A1 Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Product Switch, and/or Further Advance remaining in the Portfolio;
- (v) each Loan and its Related Security which is the subject of a Product Switch and/or a Further Advance complies at the date of such Product Switch and/or Further Advance with the Loan Warranties;
- (vi) as at the relevant Monthly Test Date, the Rating Agency Tests will not be breached as a result of the relevant Product Switch and/or Further Advance and/or Flexible Drawing remaining in the Portfolio (after taking into account any drawing under the Class B2 VFN);
- (vii) as at the Monthly Test Date the Eligibility Criteria as set out in paragraph (a), (c) and (d) of the definition of Eligibility Criteria have not been breached;
- (viii) as at the relevant Monthly Test Date the balance of the Yield Reserve equals or will be at least equal to as at the next following Interest Payment Date the Yield Reserve Required Amount (taking into account any drawing under the Class C VFN);
- (ix) if the making of a Product Switch would result in a New Loan Type being included in the Portfolio and advance notice in writing of any such Loans subject to a Product Switch and/or Further Advance remaining in the Portfolio has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the Class A1 Notes as a consequence thereof;
- (x) the Interest Rate Swap Agreements, which for Fixed Rate Loans and Capped Rate Loans comply with Moody's and Fitch's interest rate hedging criteria at that time, hedge against the interest rates payable in respect of such Product Switch and/or Further Advance until the maturity of such Loan;

- (xi) the Class A Principal Deficiency Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (xii) the aggregate amount of all Further Advances (including the Further Advances made since the Closing Date) does not exceed 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date, or, if Further Class A1 Notes or New Class A Notes have been issued, 10 per cent. of the Current Balance of the Loans comprised in the Portfolio as of the issue date of the Further Class A1 Notes or New Class A Notes; and
- (xiii) the Seller has delivered a Solvency Certificate signed by an Authorised Signatory of the Seller to the Security Trustee in accordance with the terms of the Mortgage Sale Agreement.

The Mortgage Sale Agreement provides that, if the short-term, unsecured, unsubordinated debt obligations of the Seller are rated less than P-2 by Moody's or F-2 by Fitch, respectively as at a Monthly Pool Date, the Seller must provide to the Issuer and the Security Trustee a Solvency Certificate (in form and substance acceptable to the Security Trustee), signed by an Authorised Signatory of the Seller.

Rating Agency Tests means tests which satisfy each of the following conditions on the relevant Monthly Test Date (or on the Sale Date on which New Portfolios are sold to the Issuer):

- (a) for Further Advances or at the sale of New Portfolios, the original weighted average LTV ratio (calculated by dividing original debt advanced by the Original Valuation) of the Loans in the Portfolio (including the relevant Further Advances) does not exceed 68 per cent.;
- (b) for Further Advances or at the sale of New Portfolios, the outstanding principal balance of any Loans in the Portfolio (including the relevant Further Advances) with an original LTV ratio (calculated by dividing original debt advanced by Original Valuation) of more than 80 per cent. does not exceed 40 per cent.;
- (c) for Further Advances or at the sale of New Portfolios, the current weighted average LTV ratio (excluding any house price indexation up to the Monthly Test Date or Sale Date as applicable) (calculated by dividing current debt by Original Valuation) of the Loans in the Portfolio (including the relevant Further Advances) does not exceed 65 per cent.;
- (d) for Further Advances or at the sale of New Portfolios, the weighted average income multiple of the Loans in the Portfolio (including any relevant Further Advances) (calculated by dividing the current debt outstanding by the sum of primary income and secondary income, in each case where provided) does not exceed 3.4 times;
- (e) for Further Advances and Product Switches or at the sale of New Portfolios, the outstanding principal balance of any Loans in the Portfolio (including any Product Switch and/or Further Advance) with an interest only part does not exceed 60 per cent.; and
- (f) for Further Advances or at the sale of New Portfolios, the LTV ratio (as measured by the original balance (excluding any fees added to such balance on or since the date of origination) of such Loan plus the relevant Further Advance divided by the latest valuation) is less than 95 per cent.,

where in the cases of Original Valuation, the Original Valuation of loans which have had further advances will be the lesser of (a) indexed valuation based on the Halifax House Price Index from the date of the Original Valuation to the date of the latest Further Advance for such loan and (b) indexed valuation based on the Halifax House Price Index from the date of the Original Valuation to six months prior to the date of the latest Further Advance for such Loan.

For the purposes of determining compliance with the Rating Agency Tests, the Cash Manager shall base its calculations on the following assumptions:

- (a) each Loan comprised in the Initial Portfolio on the Closing Date, or, if Further Class A1 Notes or New Class A Notes have been issued, each Loan comprised in the Portfolio as at the issue date for the Further Class A1 Notes or New Class A Notes remains in the Portfolio as at the relevant Monthly Test Date;
- (b) the Current Balance of each Loan comprised in the Portfolio will be deemed to be the higher of (i) the Current Balance of the relevant Loan as at the immediately preceding Monthly Pool Date and (ii) the Current Balance of the relevant Loan(s) comprised in the Portfolio on the Closing Date, or, if Further Class A1 Notes or New Class A Notes have been issued, the Current Balance of the relevant Loan(s) comprised in the Portfolio as at the issue date for the Further Class A1 Notes or New Class A Notes; and
- (c) the Current Balance and original balance of each Loan comprised in the Portfolio include the flexible redraw capacity of such Loan.

Governing Law

The Mortgage Sale Agreement will be governed by English law.

Servicing Agreement

Introduction

On or about the Closing Date, the Servicer will be appointed by the Issuer, and for so long as the Loans are subject to the CCA Trust, the Seller in its capacity as trustee of the CCA Trust acting on the instructions of the Issuer. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may, in some circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer (or, in respect of the Loans, held on trust under the CCA Trust by the Seller for the Issuer) but had remained with the Seller in accordance with the Seller's servicing, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans (the **Seller's Policy**);
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) keep in force all approvals, authorisations, permissions, consents and licences required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998, licence under the CCA and any authorisation and permissions under the FSMA;
- (e) save as otherwise agreed with the Issuer, provide upon written request free of charge to the Issuer, office space, facilities, equipment and staff sufficient to enable the Issuer to perform its obligations under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal requirements in the performance of the Services;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions by law;
- (h) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;
- (i) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan sold by the Seller to the Issuer (or, in respect of the Loans subject to the CCA Trust, release such Loans from the CCA Trust) pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (j) within 60 days of the date on which the Servicer (or its successors or assigns) ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- or by Moody's of at least Baa3 use reasonable endeavours to enter into a back-up or master servicing agreement with a third party with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require; and
- (k) deliver to the Issuer and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the Issuer Standard Variable Rate

and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolios from time to time. The Servicer will not (except in limited circumstances) at any time set or maintain:

- (a) the Issuer Standard Variable Rate applicable to any Loans with a Standard Variable Rate in the Portfolio at rates which are higher than (although they may be equal to) the then prevailing relevant standard variable rate which applies to Loans beneficially owned by the Seller outside the Portfolio (the **Seller Standard Variable Rates** and together with the Issuer Standard Variable Rates, the **Standard Variable Rates**); or
- (b) any other discretionary rate (together with the Standard Variable Rates, the **Discretionary Rates**) or margin in respect of any other Loan in the Portfolio which is higher than (although it may equal to) the interest rate or margin of the Seller, which applies to that type of Loan beneficially owned by the Seller outside the Portfolio.

In particular, the Servicer shall determine as of each Calculation Date immediately preceding each Interest Payment Date, having regard to the aggregate of:

- (a) the revenue which the Issuer would expect to receive during the next succeeding Interest Period;
- (b) the Discretionary Rates or margins applicable in respect of the loans which the Servicer proposes to set under the Servicing Agreement; and
- (c) the other resources available to the Issuer, including the Interest Rate Swap Agreements, the General Reserve Fund, the Liquidity Reserve Fund and the Yield Reserve Fund and taking into account any amount available to be withdrawn and/or to be credited to the Yield Reserve Fund in the next succeeding Interest Period,

whether the Issuer would receive an amount of revenue during the relevant Interest Period which is less than the amount which is the aggregate of the amount of interest which would be payable in respect of the Notes on the Interest Payment Date falling at the end of that Interest Period and amounts which rank in priority thereto under the Priority of Payments.

If the Servicer determines that there would be a shortfall in the foregoing amounts, it will give written notice to the Issuer, within three Business Day of such determination of the amount of the shortfall.

If the Issuer notifies the Servicer that, having regard to the obligations of the Issuer, the Discretionary Rates should be increased, then the Servicer will take all steps which are necessary to increase the Discretionary Rates, including publishing any notice which is required in accordance with the applicable mortgage terms.

The Issuer (prior to the delivery of a Note Acceleration Notice) with the prior written consent of the Security Trustee and (following delivery of a Note Acceleration Notice), the Security Trustee may terminate the authority of the Servicer under the Servicing Agreement to determine and set the Discretionary Rates on or after the occurrence of a Servicer Termination Event defined under "*Removal or Resignation of the Servicer*" below (provided that neither the Issuer nor the Security Trustee will be entitled to terminate such authority if the Servicer has been appointed as substitute servicer under any master servicing agreement), in which case the Issuer shall set the Discretionary Rates itself in accordance with the above provisions.

Reasonable, Prudent Mortgage Lender

For the avoidance of doubt, any action taken by the Servicer to set the Discretionary Rates which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. The Issuer pays to the Servicer a servicing fee (inclusive of VAT, if any) of 0.08 per cent. per annum, on the aggregate Current Balance of all Loans in the Portfolio as at the opening of business on the preceding Interest Payment Date (or, as applicable, the Closing Date) as adjusted, as applicable to reflect the purchase of New Portfolios following the issue of New Class A Notes or Further Class A1 Notes. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Removal or Resignation of the Servicer

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied;
- a third party becomes obliged to undertake the servicing of the Loans (other than as master servicer), pursuant to any back-up servicing agreement contemplated under the Servicing Agreement; or
- an insolvency event occurs in relation to the Servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that a substitute servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the title deeds and customer files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

If the Servicer ceases to have assigned to it a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-, then it will use reasonable

endeavours to enter, within 60 days, into a back-up or master servicing agreement with a third party with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require. If the Servicer is unable to find a suitable third party willing to act as master servicer, this will not constitute a breach of the Servicer's obligations under the Servicing Agreement.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

Liability of the Servicer

The Servicer will indemnify each of the Issuer and the Security Trustee on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Servicer or any of its sub-contractors or delegates in carrying out its functions as Servicer under, or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such) in relation to such functions.

Governing Law

The Servicing Agreement will be governed by English law.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alia*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**) as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Subscription Agreement, the Trust Deed and the Deed of Charge);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

Authorised Investments means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and either:

- (A) such investments (i) have a maturity date of 60 days or less and mature on or before the Interest Payment Date or within 60 days, whichever is sooner, (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 60 days, whichever is sooner, and (iii) are rated at least F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating); or
- (B) such investments (i) have a maturity date of 90 days or less and mature on or before the Interest Payment Date or within 90 days, whichever is sooner, (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 90 days, whichever is sooner, and (iii) are rated at least F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating).

Transaction Documents means the Servicing Agreement, the Agency Agreement, the Co-op Bank Account Agreement, the BNY Mellon Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge), the Collection Account Declaration of Trust, the Swap Collateral Account Bank Agreement (if entered into), the Fixed Interest Rate Swap Agreements, the Floating Interest Rate Swap Agreement, the Share Trust Deed, the Issuer Nominee Declaration of Trust, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Seller Power of Attorney, the Subscription Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Cash Manager, the Co-op Fixed Interest Rate Swap Provider, the JPMSL Fixed Interest Rate Swap Provider, any Replacement Fixed Interest Rate Swap Provider, the Floating Interest Rate Swap Provider, the Currency Swap Provider (if any), the Co-op Account Bank, the BNY Mellon Account Bank, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into), the Corporate Services Provider, the Paying Agents, the Registrar, the VFN Registrar, the Agent Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the relevant Deposit Account as described in

"Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer" and "Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders and Class D VFN Holder (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or, once all of the Class A Noteholders and Class D VFN Holder have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto) or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and Class D VFN Holder (and all persons ranking in priority to the Class A Noteholders and Class D VFN Holder as set out in the order of priority below) or, once all of the Class A Noteholders and Class D VFN Holder have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto) or, once all of the Class B VFN Holder have been repaid, to the Class C VFN Holder (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Creditors and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

Governing Law

The Deed of Charge will be governed by English law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee, the Class D VFN Holder and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The Class A1 Noteholders may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a trust corporation) in office after such retirement or being removed by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed.

Governing Law

The Trust Deed will be governed by English law.

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

The Agency Agreement will be governed by English law.

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Co-op Deposit Account or the BNY Mellon Deposit Account, as the case may be. In addition, the Cash Manager will:

- (a) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (b) record credits to, and debits from, the General Reserve Ledger, the Retained Principal Receipts Ledger, the Rearrangement Purchase Ledger, the Yield Reserve Ledger, the Principal Ledger, the Revenue Ledger, the Issuer Fee Amount Ledger, the Swap Provider Fee Amount Ledger, the Issuer Profit Ledger, the Pre-Funded Purchase Ledger, the Co-op Collateral Account Ledger, the Swap Collateral Ledger and the Liquidity Reserve Ledger as and when required;
- (c) make payments of the consideration for a Further Advance, a Flexible Drawing, a Rearrangement, a Product Switch and/or New Loans to the Seller; and

- (d) make a drawing under any VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price and/or the Flexible Drawing Purchase Price.

In addition, the Cash Manager will or, in respect of paragraph (e) below, may:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
- (i) the **Principal Ledger**, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which will record all amounts under items (a), (b), (c) and (g) of Available Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger** which will record amounts credited to the general reserve fund (the **General Reserve Fund**) from the proceeds of the Class C VFN Holder's funding of the Class C VFN and withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);
 - (iv) the **Retained Principal Receipts Ledger** which will record (i) amounts credited to such ledger from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date and (ii) withdrawals from such ledger on any Monthly Pool Date first, to pay all Flexible Drawing Purchase Prices and second to pay all Further Advance Purchase Prices. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Further Advance Purchase Prices and/or Flexible Drawing Purchase Prices will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure — Retained Principal Receipts Ledger*" and "*Cashflows – Definition of Available Principal Receipts*" below);
 - (v) the **Principal Deficiency Ledgers** which will record on the appropriate sub-ledger as a debit, deficiencies arising from Losses on the Portfolio and corresponding drawings from the Liquidity Reserve Fund and Principal Receipts used to pay a Revenue Deficiency and record as a credit, Available Revenue Receipts applied pursuant to the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure — Principal Deficiency Ledger*" below);
 - (vi) the **Liquidity Reserve Ledger** which will record amounts credited to and debited from the Liquidity Reserve Fund (to fund senior expenses and interest payments on the Class A1 Notes and the Class D VFN) in accordance with the applicable Priority of Payments (see "*Credit Structure — Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" below);
 - (vii) the **Yield Reserve Ledger** which will be credited up to the Yield Reserve Required Amount from time to time and will be debited from such reserve in the amount of the Scheduled Yield Amount in partial satisfaction of payments of interest made on the Class A Notes or the Class D VFN (if any) on each Interest Payment Date up to, and including, the Interest Payment Date falling in December 2052 (see "*Credit Structure — Yield Reserve Fund and Yield Reserve Fund Ledger*" below);

- (viii) the **Rearrangement Purchase Ledger** which will record the principal element of any purchase price paid by the Seller to the Issuer for a Loan which is subject to a Rearrangement and withdrawals from such ledger on any Monthly Pool Date to repurchase Loans which have been subject to a Rearrangement in the Monthly Period immediately preceding such Monthly Pool Date. Any amounts not applied by the Cash Manager on behalf of the Issuer towards such repurchase will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date;
 - (ix) the **Issuer Fee Amount Ledger** which shall record any Issuer Fee Amounts received from the proceeds of the Class C VFN Holder's funding of the Class C VFN or any payments made by the Seller pursuant to the Mortgage Sale Agreement and any withdrawals to make payments to the Interest Rate Swap Provider;
 - (x) the **Swap Provider Fee Amount Ledger** which shall record any Swap Provider Fee Amounts received by the Issuer from the JPMSL Fixed Interest Rate Swap Provider pursuant to a JPMSL Fixed Interest Rate Swap Agreement (or any Replacement Fixed Interest Rate Swap Agreement on similar terms) and withdrawals of any Swap Provider Fee Amounts used to repay the Class C VFN Holder under the Class C VFN or to the extent that the Class C VFN has been repaid in full, as Available Revenue Receipts;
 - (xi) the **Co-op Collateral Account Ledger** which will record any Co-op Collateral Amounts credited to such ledger and debit any withdrawals of amounts equal to the aggregate Account Bank Defaulted Amount if an Account Bank Non-Payment Event occurs;
 - (xii) the **Pre-Funded Purchase Ledger** which shall record as a credit, amounts equal to the Pre-Funded Purchase Limit and the amount of Pre-Funded Purchase Available Amount from time-to-time and as a debit withdrawals of Collateralised Amounts which will comprise Available Principal Receipts;
 - (xiii) the **Issuer Profit Ledger** which shall record as a credit amounts retained by the Issuer as profit in accordance with the Pre-Acceleration Revenue Priority of Payments;
 - (xiv) the **Swap Collateral Ledger** which shall record as a credit any Swap Collateral and any debiting of the same, including, *inter alia*, debiting an amount up to the Defaulted Swap Amount to provide for any Revenue Deficiency as Available Revenue Receipts where the Co-op Fixed Interest Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement and such default is continuing on an Interest Payment Date; and
 - (xv) the **Fixed Interest Rate Withheld Amount Ledger** which will record any Fixed Interest Rate Withheld Amounts to be paid to a Fixed Interest Rate Swap Provider upon the termination of the relevant Fixed Interest Rate Swap Agreement;
- (b) deliver any notices which are required to be served by it on behalf of the Issuer pursuant to Condition 7.5 (*Investor Redemption Option at Par minus Class A Principal Deficiency*);
 - (c) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
 - (d) provide the Issuer, the Seller, the Security Trustee, the Class A1 Noteholders and the Rating Agencies with the Investor Report by no later than 10 Business Days following each Interest Payment Date;

- (e) at its option, invest monies standing to the credit of a Bank Account in seven-day time deposits (or such longer time periods as may be agreed by the Security Trustee and the Secured Creditors) provided that such seven-day period does not include an Interest Payment Date on which such amounts will be required to be applied in accordance with the relevant Priority of Payments; and
- (f) invest monies standing from time to time to the credit of a Bank Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:
 - (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account.

Account Bank Defaulted Amount means an amount equal to the amount which would have been paid by the Co-op Account Bank but for the occurrence of an Account Bank Non Payment Event.

Account Bank Non-Payment Event means any failure to pay an amount in accordance with the Co-op Bank Account Agreement in the event the same has not been rectified within one Business Day.

Defaulted Swap Amount means in relation to the Co-op Fixed Interest Rate Swap, an amount equal to the Fixed Interest Period Swap Provider Amount which would have been paid by the Co-op Fixed Interest Rate Swap Provider to the Issuer on an Interest Payment Date in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement but for the continuing default of such payment by the Co-op Fixed Interest Rate Swap Provider.

Fixed Interest Rate Withheld Amount means, in respect of a Fixed Interest Rate Swap Agreement, any net payment amount that would be due on any Interest Payment Date to the Fixed Interest Rate Swap Provider but which has not been paid by the Issuer in accordance with Section 2(a)(iii) of the relevant Fixed Interest Rate Swap Agreement following an event of default under such Fixed Interest Rate Swap Agreement where the Fixed Interest Rate Swap Provider is the Defaulting Party.

Issuer Fee Amount Ledger means the ledger in connection with the Co-op Deposit Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of the Issuer Fee Amount and any debiting of the same.

Issuer Fee Amount means the amount if any owing by the Issuer to the JPMSL Fixed Interest Rate Swap Provider and described as a "Net Payment" pursuant to the relevant JPMSL Fixed Interest Rate Swap Agreement in connection with any Further Advance, Flexible Drawing, Product Switch or Rearrangement which occurred in the immediately preceding Monthly Period.

Remuneration of Cash Manager

The Cash Manager will be paid a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date. The Issuer will pay to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.01 per cent. per annum of the sterling equivalent of the Principal Amount Outstanding of the Notes as determined on the preceding Interest Payment Date (or, as applicable, the Closing Date) immediately preceding the Interest Payment Date on which such payment is made up to a maximum of £100,000 per annum. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-

Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement provides that on the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB-, it will use reasonable efforts to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the Issuer within 30 days.

The Cash Manager shall on behalf of the Issuer make available to the Rating Agencies a draft of the back-up cash management agreement prior to its execution. For the avoidance of doubt, if after using reasonable efforts to enter into such a back-up cash management agreement, the Cash Manager is unable to find a suitable third party willing to act as a back-up cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement. The back-up cash management agreement will provide for such third party, with suitable experience and credentials, to undertake the cash management obligations in relation to the Portfolio within 30 days of the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under, or as a result of a breach by the Cash Manager of, the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing Law

The Cash Management Agreement will be governed by English law.

The Co-op Bank Account Agreement

Pursuant to the terms of the Co-op Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Co-op Account Bank, the Cash Manager and the Security Trustee, the Issuer will maintain with the Co-op Account Bank the Co-op Deposit Account and (where appropriate) any swap collateral account(s), which will be operated in accordance with the Cash Management Agreement, the Deed of Charge and the relevant Fixed Interest Rate Swap Agreement(s) or Currency Swap Agreement (if any).

The Issuer will deposit amounts in the Co-op Deposit Account in an amount up to the Co-op Deposit Limit. If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the BNY Mellon Deposit Account.

Co-op Deposit Limit means:

- (a) for so long as the short term and long term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-op are rated at least the Account Bank Rating, an unlimited amount; or
- (b) for so long as the short term and long term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-op are rated below the Account Bank Rating:
 - (i) the maximum amount of any guarantee (in a form acceptable to the Security Trustee) provided by an entity whose short term and long term (as applicable) unsubordinated and unguaranteed debt obligations are rated Account Bank Rating; or
 - (ii) the maximum amount of the Co-op Collateral Amount,in each case in respect of the obligations of the Co-op in respect of the Co-op Deposit Account; or
- (c) if no such guarantee or collateral amount referred to in paragraph (b) is in place, zero.

Co-op Collateral Amount means an amount equal to the amount deposited with the BNY Mellon Account Bank in the BNY Mellon Deposit Account (and recorded on a ledger, the **Co-op Collateral Account Ledger**, from time to time on that account) by the Co-op to collateralise its obligations under the Co-op Bank Account Agreement.

Governing Law

The Co-op Bank Account Agreement will be governed by English law.

The BNY Mellon Bank Account Agreement

If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Servicer shall deposit the amount of any such surplus which it receives in an account of the Issuer maintained at the BNY Mellon Account Bank pursuant to the terms of the BNY Mellon Bank Account Agreement and it shall be recorded on the Co-op Collateral Account Ledger. If the BNY Mellon Account Bank is not at such time rated with, or ceases to have, a rating at least equal to the Account Bank Rating, the Issuer will open a similar account with another entity rated at least the Account Bank Rating.

The BNY Mellon Bank Account Agreement will be governed by English law.

The Swap Collateral Account Bank Agreement

If the Issuer enters into the Swap Collateral Account Bank Agreement as at the Closing Date, any Swap Collateral required to be posted under the terms of the Co-op Fixed Interest Rate Swap Agreement or the JPMSL Fixed Interest Rate Swap Agreements (or any replacement thereof), will be deposited with the Swap Collateral Account Bank in accordance with the terms of the relevant Fixed Interest Rate Swap Agreement. If the Swap Collateral Account Bank is not at such time rated with, or ceases to have, a rating at least equal to the Account Bank Rating, the Issuer will open a similar account with another entity rated at least the Account Bank Rating.

The Swap Collateral Account Agreement will be governed by English law.

Account Bank Rating means a short term unsecured, unsubordinated and unguaranteed debt rating of P-1 by Moody's and F1 by Fitch and a long term unsecured, unsubordinated and unguaranteed debt rating of A by Fitch and A2 by Moody's (if a short term rating is assigned by Moody's) or A1 by Moody's (if no short term rating is assigned by Moody's), or such other lower rating as may from time to time be specified in the most

recently published Rating Agency criteria as being required to maintain the then current rating of the Class A1 Notes.

The Corporate Services Agreement

On or prior to the Closing Date, *inter alia*, the Issuer, the Corporate Services Provider and the Security Trustee will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement will be governed by English law.

Collection Account Declaration of Trust

On or about the Closing Date, the Co-op will declare a trust (the **Collection Account Declaration of Trust**) over its beneficial interest in certain collection accounts held in its name with National Westminster Bank PLC into which amounts in respect of certain Loans held by the Co-op are collected.

The beneficiaries of the trust will be the Co-op and the Issuer.

The Collection Account Declaration of Trust will be governed by English Law.

Other Agreements

For a description of the Fixed Interest Rate Swap Agreements and the Floating Interest Rate Swap Agreement see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Seller, the Interest Rate Swap Providers, the Arranger, the Joint Lead Managers, the Servicer, the Cash Manager, the Co-op Account Bank, the BNY Mellon Account Bank, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into), the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Providers, the Arranger, the Joint Lead Managers, the Servicer, the Cash Manager, the Co-op Account Bank, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into), the BNY Mellon Account Bank, the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (r) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any excess payable under item (r) of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Interest Rate Risk for the Notes*" below) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio. Revenue Receipts may also be applied on each Maturity Pool Date to purchase the Rearrangement Revenue Element of the purchase price for any Rearrangements.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (g) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the **General Reserve Fund** to provide credit enhancement for the Class A1 Notes which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class C VFN Holder's funding of the Class C VFN on the Closing Date and following the Closing Date, to the extent required in connection with Product Switches or Further Advances, from time to time. The General Reserve Fund will be deposited in the BNY Mellon Deposit Account or the Co-op Deposit Account, as the case may be, (with a corresponding credit being made to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the BNY Mellon Deposit Account or the Co-op Deposit Account, as the case may be, in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments on every Interest Payment Date.

The **General Reserve Required Amount** will be an amount equal to £116,279,573 on the Closing Date (being an amount equal to 4 per cent., of the Current Balance of the Portfolio as at the Closing Date) or following the funding of the Class D VFN on the Investor Redemption Date and/or the issue of any New Class A Notes or Further Class A1 Notes, at least an amount required to ensure that the then current ratings of the Class A1 Notes will not be downgraded, withdrawn or qualified as a result of the funding of such Class D VFN on the Investor Redemption Date and/or the issue of any Further Class A1 Notes or New Class A Notes and no less than 4 per cent. of the Current Balance of the Portfolio at the date of such funding or issue. On any Interest Payment Date on which the Class A Notes are fully repaid or provided for, the General Reserve Required Amount will be reduced to zero.

On any Interest Payment Date on which the Class A1 Notes are fully repaid or provided for, the Issuer will not be required to maintain the General Reserve Fund and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.

3. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether there will be an excess or a deficit of Available Revenue Receipts to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the application of amounts (i) first, standing to the credit of the Principal Receipts Ledger, if any, and (ii) second, standing to the credit of the Retained Principal Receipts Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "Principal Deficiency Ledgers" below as well as making a debit in the Principal Receipts Ledger and/or the Retained Principal Receipts Ledger (as applicable). Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Applications of Principal Receipts to Revenue Deficiency*".

4. Liquidity Reserve Fund and Liquidity Reserve Fund Ledger

The Issuer will be required to fund the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Issuer will be required to top up the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount on each Interest Payment Date. For more information about the application of the amounts standing to the credit of the Liquidity Reserve Fund, see the section "*Cashflows – Applications of Monies Released from the Liquidity Reserve Fund*".

Liquidity Reserve Fund Required Amount means an amount equal to the greater of (a) 3 per cent. of the Principal Amount Outstanding of the Class A Notes and the Class D VFN at the beginning of the relevant Interest Period less the amount standing to the credit of the General Reserve Fund as determined by the Cash Manager on the relevant Calculation Date after taking into account the amount of Available Revenue Receipts to be credited to the General Reserve Fund on the Interest Payment Date immediately following such Calculation Date in accordance with the Pre-Acceleration Revenue Priority of Payments and (b) zero.

The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund to fund senior expenses and interest payments on the Class A Notes and the Class D VFN on that date (if any).

5. Use of Swap Collateral in the event of payment default by the Co-op Fixed Interest Rate Swap Provider

If appointed as the Co-op Fixed Interest Rate Swap Provider, the Co-op will be required to post collateral or obtain other forms of credit support under the Co-op Fixed Interest Rate Swap Agreement on and from the Closing Date until certain conditions are met. If the Co-op Fixed Interest Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement and such default is continuing, the Cash Manager (on behalf of the Issuer) shall debit the Swap Collateral Account(s) or Swap Collateral Ledger (as the case may be) on the relevant Interest Payment Date in an amount equal to the lesser of (1) the Revenue Deficiency on such Interest Payment Date and (2) the Defaulted Swap Amount, and the Cash Manager (on behalf of the Issuer) will apply such monies on the relevant Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.

6. Yield Reserve Fund and Yield Reserve Fund Ledger

On the Closing Date, the Issuer will establish a yield reserve fund (the **Yield Reserve Fund**) up to the Yield Reserve Required Amount. On each Interest Payment Date up to and including the Interest Payment Date falling in December 2052 the Issuer (or the Cash Manager on its behalf) will apply the Scheduled Yield Amount as Available Revenue Receipts. The Yield Reserve Fund will be funded in an amount at least equal to the Yield Reserve Required Amount from proceeds of the Class C VFN.

On the Closing Date the Yield Reserve Fund Required Amount will be zero.

Yield Reserve Required Amount means as at any date (being the **Yield Reserve Calculation Date**) the sum of the Scheduled Yield Amount for each Interest Payment Date up to the Interest Payment Date falling in December 2052 for such Interest Payment Date where the Current Balance of the Loans, Principal Amount Outstanding of the Class A Notes and Class D VFN shall be assumed to be those balances as at the Yield Reserve Calculation Date.

Scheduled Yield Amount means on each Interest Payment Date (except the final Interest Payment Date in respect of the Class A Notes in which case it means the amount standing to the credit of the Yield Reserve Ledger), the greater of (i) zero and (ii) the product of:

$$((C \times D) + B + 0.30\% - A) \times (0.25) \times (\text{Current Balance of the Loans})$$

Where:

A = the calculated weighted average mortgage spread over LIBOR (after giving effect to any payments made under the Swap Agreements on such date), (i) weighted according to the then Current Balance of each of the Loans, (ii) assuming no repayments or prepayments on the Loans and (iii) assuming the spread on each Loan changes on any reversion date for such Loan;

B = the servicing fee payable to the Servicer under the Servicing Agreement;

C = the aggregate Principal Amount Outstanding of the Class A Notes and the Class D VFN divided by the then Current Balance of the Loans in the Portfolio, in each case calculated at the most recent Interest Payment Date (the **Percentage of the Class A Notes and Class D VFN**); and

D = the weighted average margin over LIBOR of the Class A Notes and the Class D VFN.

7. Retained Principal Receipts Ledger

The Cash Manager will maintain the Retained Principal Receipts Ledger pursuant to the Cash Management Agreement. The Retained Principal Receipts Ledger will be funded from the first Business Day following the Closing Date and on each subsequent Business Day with all Available Principal Receipts (the **Retained Principal Receipts**). The Retained Principal Receipts will be credited to the Retained Principal Receipts Ledger of the BNY Mellon Deposit Account or the Co-op Deposit Account, as the case may be. The Issuer may invest the amounts standing to the credit of the Retained Principal Receipts Ledger in Authorised Investments.

During the Further Sale Period and up to but excluding the Further Sale Period End Date amounts standing to the credit of the Retained Principal Receipts Ledger will be applied by the Issuer to purchase New Portfolios on each Sale Date and towards any Further Advance Purchase Price or Flexible Drawing Purchase Price payable to the Seller in respect of the sale of Further Advances or Flexible Drawings, as the case may be to the Issuer during such period (and for this purpose, any amounts standing to the credit of the Retained Principal Receipts Ledger will be applied in the order in which such amounts were credited to the Retained Principal Receipts Ledger (i.e. on a 'first in, first out' basis)). If not so applied, any such amounts that remain standing to the credit of the Retained Principal Receipts Ledger on the Interest Payment Date immediately following the end of the Further Sale Period will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date.

After the end of the Further Sale Period the Retained Principal Receipts Ledger will continue to be funded up to the Retained Principal Required Amount in accordance with the Pre-Acceleration Principal Priority of Payments, amounts standing to the credit of the Retained Principal Receipts Ledger will be applied by the Issuer on each Monthly Pool Date to pay all Further Advance Purchase Prices and/or Flexible Drawing Purchase Prices in the following order: first to pay all Flexible Drawing Purchase Prices and second, to pay all Further Advance Purchase Prices. Amounts standing to the credit of the Retained Principal Receipts Ledger may be applied as Available Revenue Receipts towards any Revenue Deficiency in accordance with the Pre-Acceleration Revenue Priority of Payments. Any amounts standing to the credit of the Retained Principal Receipts Ledger on any Interest Payment Date and not applied by the Cash Manager on the Issuer's behalf towards Further Advance Purchase Prices and/or Flexible Drawing Purchase Prices or to cure any Revenue Deficiency will be applied by the Issuer (or the Cash Manager on its behalf) on such Interest Payment Date as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

Retained Principal Required Amount means as at the Closing Date and as of each Calculation Date falling prior to an Event of Default, an amount up to £20,000,000 as determined by the Cash Manager to be required to purchase Further Advances and Flexible Drawings in the immediately preceding Collection Period and thereafter zero.

8. Pre-Funded Purchase Ledger

The Cash Manager will maintain the Pre-Funded Purchase Ledger pursuant to the Cash Management Agreement. The Pre-Funded Purchase Ledger will be funded through the proceeds of the Class B2 VFN from time to time. The Issuer may invest any amounts standing to the credit of the Pre-Funded Purchase Ledger in Authorised Investments.

The Issuer will only be permitted to purchase Further Advances and Flexible Drawings in an amount up to the Pre-Funded Purchase Available Amount from time to time.

Pre-Funded Purchase Available Amount means an amount equal to the difference between the Pre-Funded Purchase Limit and the Pre-Funded Utilised Amount.

Pre-Funded Purchase Limit means as of the Closing Date £30 million and, after the Closing Date, such other amount as determined by the Cash Manager from time to time and deposited with the BNY Mellon Account Bank or the Co-op Account Bank and recorded on the Pre-Funded Purchase Ledger to collateralise the Seller's obligations to repurchase any Loans which are the subject of a Further Advance or a Flexible Drawing and which do not satisfy the applicable Asset Conditions as at the relevant Advance Date, Drawing Date or Monthly Test Date (as the case may be) as determined on the Monthly Test Date immediately following the date on which such Further Advance or Flexible Drawing has been purchased by the Issuer.

If the Cash Manager determines that the Pre-Funded Purchase Limit should be reduced, the excess over the then current amount standing to the credit of the Pre-Funded Purchase Ledger and the amount determined to be required to collateralise the Seller's obligations to repurchase any Loans which are the subject of a Further Advance or a Flexible Drawing and which do not satisfy the applicable Asset Conditions shall be repaid to the Class B2 VFN Holder directly and shall not form part of Available Principal Receipts.

Pre-Funded Utilised Amount means, at any date the aggregate outstanding principal balance of any Loans subject to Further Advances and Flexible Drawings purchased by the Issuer in any Monthly Period which have not yet been tested for compliance with the applicable Asset Conditions.

If the Seller fails to repurchase a Loan which is subject to a Further Advance or Flexible Drawing having become bound to do so under the terms of the Mortgage Sale Agreement, an amount equal to the outstanding principal balance of such Loan or Loans (the **Collateralised Amount**) will be debited from the Pre-Funded Purchase Ledger and will be applied as Available Principal Receipts.

9. Set-Off Overcollateralisation and Non Set-Off Overcollateralisation

On the Closing Date, the Issuer will use the proceeds of the subscription of the Class B1 VFN to fund the required amount of overcollateralisation for the Class A1 Notes in an amount equal to 14 per cent. of the Current Balance of the Portfolio at the Closing Date.

After the Closing Date, the proceeds of further funding under the Class B1 VFN will be used to reflect the extent to which the Set-Off Overcollateralisation Amount has increased since the Closing Date as determined by the aggregate of:

- (a) the Depositor Set-Off Amount; and
- (b) 3 multiplied by 8 per cent. multiplied by an amount equal to the maximum amount of cash withdrawals (including cash withdrawals in respect of Flexible Drawings) that Borrowers may draw under Loans (including Flexible Loans) that permit such withdrawals in the Issuer as determined in respect of the immediately preceding Monthly Period End Date (the **Flexible Drawing Amount**).

The Cash Manager (on behalf of the Issuer) shall apply the proceeds of such further funding to the Class B1 VFN as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priorities of Payment.

On or about the Sale Date of a New Portfolio and the issue of Further Class A1 Notes and/or New Class A Notes during the Further Sale Period, the Issuer may use the proceeds of a further funding of the Class B1 VFN such that the Overcollateralisation Percentage (taking into account the purchase of the New Portfolio) as at the issue date of such Further Class A1 Notes and/or New Class A Notes is at least equal to the Overcollateralisation Percentage on the Closing Date.

Depositor Set-Off Amount means 2.5 per cent. of the Current Balance of the Portfolio, as calculated on the Closing Date (such percentage to be subject to annual review, unless the short term unsecured, unguaranteed and unsubordinated debt obligation rating of the Seller falls below F1 by Fitch or P-1 by Moody's, in which case such review shall be on each Monthly Test Date immediately prior to an Interest Payment Date, provided that it shall not, in any case, be less than 2.5 per cent. of the Current Balance of the Portfolio and any such quarterly revised calculation of this percentage by the Cash Manager to the extent that it exceeds 2.5 per cent. shall be multiplied by 1.15).

10. Principal Deficiency Ledgers

A Principal Deficiency Ledger, comprising three sub ledgers, known as the Class A1 Principal Deficiency Ledger (relating to each of the Class A1 Notes), the Class B Principal Deficiency Ledger (relating to each of the Class B1 VFN and the Class B2 VFN) and the Class D Principal Deficiency Ledger (relating to the Class D VFN) (each a **Principal Deficiency Ledger** and, together, the **Principal Deficiency Ledgers**), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or the application of Principal Receipts to pay any Revenue Deficiency and/or any debiting of the Liquidity Reserve Fund on an Interest Payment Date to fund senior expenses and interest payments on the Class A1 Notes. Losses or debits recorded on the Class A1 Principal Deficiency Ledger shall be recorded in respect of the Class A1 Notes. Losses or debits recorded on the Class D Principal Deficiency Ledger shall be recorded in respect of the Class D VFN. Losses or debits recorded on the Class B Principal Deficiency Ledger shall be recorded in respect of the Class B VFN. Available Revenue Receipts will include recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

If during the Further Sale Period the Issuer issues New Class A Notes, the Cash Manager will establish a corresponding Principal Deficiency Ledger (the **New Class A Principal Deficiency Ledger** and, together with the Class A1 Principal Deficiency Ledger, the **Class A Principal Deficiency Ledger**) which will be debited and credited on a *pari passu* and *pro rata* basis with the Class A1 Principal Deficiency Ledger and the Class D Principal Deficiency Ledger.

The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:

- (a) first, to the Class B Principal Deficiency Ledger up to a maximum of the Class B Principal Deficiency Limit ; and
- (b) second, *pro rata* and *pari passu* to the Class A Principal Deficiency Ledger and to the Class D Principal Deficiency Ledger so long as the debit balance on each such ledger is less than the Principal Amount Outstanding of the Class A Notes and the Class D VFN, respectively.

Class B Principal Deficiency Limit means the Principal Amount Outstanding of the subscription under the Class B VFN used to fund the Capital Balance (calculated as at such corresponding funding date) of the Loans. For the avoidance of doubt, any amounts applied by the Class B VFN to fund Set-Off Overcollateralisation Amounts will be considered a Class B VFN subscription to fund the Capital Balance of the Loans under this definition.

No debits will be recorded on the Class D Principal Deficiency Ledger unless and until the Class D VFN is funded. On the date on which the Class D VFN is funded, any debits to the Class A Principal Deficiency Ledger will be allocated *pro rata* and *pari passu* between the Class D Principal Deficiency Ledger and the Class A Principal Deficiency Ledger.

Amounts allocated to each Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

11. Available Receipts

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include £4,500 which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the General Reserve Ledger, the Liquidity Reserve Fund Ledger, the Yield Reserve Fund Ledger, the Set-Off Ledger or the Retained Principal Receipts Ledger.

If, on any Interest Payment Date whilst there are Class A Notes or Class D VFN outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class B VFN and/or the Class C VFN then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default. If there are no Class A Notes or Class D VFN then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class B VFN and; if there are no Class B VFN then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class C VFN.

Failure to pay interest on the Class A Notes and the Class D VFN (or the Class B VFN where the Class A Notes and the Class D VFN have been redeemed in full, or the Class C VFN where the Class A Notes and the Class D VFN and the Class B VFN have been redeemed in full) within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

12. Interest Rate Risk for the Notes

Fixed Interest Rate Swaps

If on or prior to the Closing Date, the Rating Agencies determine that the appointment of J.P. Morgan Securities Ltd. (**JPMSL**) as a swap counterparty (the **JPMSL Fixed Interest Rate Swap Provider**), will not affect their respective assignment of an AAA/Aaa rating to the Class A1 Notes, JPMSL will enter into the Closing Date JPMSL Fixed Interest Rate Swap Agreement on the Closing Date pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes.

If on or prior to the Closing Date, the Rating Agencies determine that they are not in a position to assign an AAA/Aaa rating to the Class A1 Notes as at the Closing Date if JPMSL were to be appointed as the fixed interest rate swap provider, the Co-op (in such capacity, the **Co-op Fixed Interest Rate Swap Provider**) will enter into the Co-op Fixed Interest Rate Swap Agreement on the Closing Date pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes. The Issuer will also enter into the Substitute JPMSL Fixed Interest Rate Swap Agreement with the JPMSL Fixed Interest Rate Swap Provider), which will, as at the Closing Date, have a notional balance of zero.

The Co-op Fixed Interest Rate Swap Agreement and each JPMSL Fixed Interest Rate Swap Agreement will have substantially the terms set out below.

Fixed Interest Rate Swap Agreements

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Notes (other than any Non-Sterling Class A Notes) is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR,

the Issuer will enter into the Fixed Interest Rate Swaps on the Closing Date. Each of the Fixed Interest Rate Swaps is scheduled to terminate in March 2025. Only one Fixed Interest Rate Swap will, at any time, have a notional balance greater than zero.

Under the Fixed Interest Rate Swap, for each Interest Period falling prior to the termination date of the Fixed Interest Rate Swap, the following amounts will be calculated:

- (a) the amount produced by applying Three-Month Sterling LIBOR for the relevant Interest Period to the Notional Amount of the Fixed Interest Rate Swap for such Interest Period (known as the **Fixed Interest Period Swap Provider Amount**); and
- (b) the amount produced by applying a fixed rate of 3.25 per cent. (as adjusted from time to time at the option of the Issuer subject to the approval of the Fixed Interest Rate Swap Provider and the Rating Agencies) for the relevant Interest Period to the Notional Amount of the Fixed Interest Rate Swap for such Interest Period (the **Fixed Interest Period Issuer Amount**).

After these two amounts are calculated in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

- (a) if the Fixed Interest Period Swap Provider Amount for that Interest Payment Date is greater than the Fixed Interest Period Issuer Amount for that Interest Payment Date, then the Fixed Interest Rate Swap Provider will pay the difference to the Issuer;
- (b) if the Fixed Interest Period Issuer Amount for that Interest Payment Date is greater than the Fixed Interest Period Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the difference to the Fixed Interest Rate Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

If a payment (other than an Additional Payment, as described below) is to be made by the Fixed Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment (other than an Additional Payment) is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

For the purposes of calculating both the Fixed Interest Period Issuer Amount and Fixed Interest Period Swap Provider Amount in respect of an Interest Period, the notional amount (the **Notional Amount**) of the Fixed Interest Rate Swap in respect of such Interest Period will be an amount in Sterling equal to the aggregate Capital Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of the calendar month immediately preceding the start of that Interest Period, as adjusted to reflect any Product Switches, Rearrangements, Flexible Drawings, Further Advances and repurchases by the Seller in accordance with the

Mortgage Sale Agreement that take effect on the Monthly Pool Date on which such aggregate Capital Balance is determined. The Notional Amount for any Interest Period shall not exceed GBP 2,500,000,000 except in the case of any Interest Period ending on or prior to 21 September 2010, the Notional Amount shall not exceed GBP 2,700,000,000.

Subject to the circumstances described below, unless an Early Termination Event (as defined below), occurs, the Fixed Interest Rate Swaps will terminate on the earlier of (i) 21 March 2025 and (ii) the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero. In the event that the Fixed Interest Rate Swap is terminated prior to the service of a Note Acceleration Notice or the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero, the Issuer shall enter into a replacement fixed interest rate swap subject to Security Trustee consent in accordance with the provisions set out in the Deed of Charge and outlined below under the heading "*Optional Reduction in the Notional Amount of the Fixed Interest Rate Swap*" below.

Under the terms of the Fixed Interest Rate Swap Agreements, in the event that the relevant rating(s) of the Fixed Interest Rate Swap Provider assigned by a Rating Agency is below the rating specified in the Fixed Interest Rate Swap Agreement (in accordance with the requirements of the Rating Agencies) (the **Required Swap Rating**), the Fixed Interest Rate Swap Provider will, in accordance with the Fixed Interest Rate Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Fixed Interest Rate Swap Agreement and at its own cost which may include providing collateral for its obligations under the Fixed Interest Rate Swap Agreement, arranging for its obligations under the Fixed Interest Rate Swap Agreement to be transferred to an entity with the Required Swap Ratings, procuring another entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Fixed Interest Rate Swap Agreement or taking such other action that would result in the rating of the Class A1 Notes being maintained at, or restored to, the level it would have been at prior to such rating being assigned by the relevant Rating Agency.

If at any time prior to an early termination of the Co-op Fixed Interest Rate Swap Agreement, the Co-op Fixed Interest Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement and such default is continuing, the Cash Manager (on behalf of the Issuer) shall debit the Swap Collateral Account(s) or Swap Collateral Ledger (as the case may be) on the relevant Interest Payment Date in an amount equal to the lesser of (1) the Revenue Deficiency on such Interest Payment Date and (2) the Defaulted Swap Amount and apply such monies on the relevant Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.

Each Fixed Interest Rate Swap may be terminated in certain circumstances, including the following, each as more specifically defined in the Fixed Interest Rate Swap Agreements (an **Early Termination Event**):

- (a) if there is a failure by a party to pay amounts due under a Fixed Interest Rate Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of a Fixed Interest Rate Swap Agreements by the Fixed Interest Rate Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Fixed Interest Rate Swap due to change in law or if certain tax representations made by the Fixed Interest Rate Swap Provider prove to have been incorrect or misleading in any material respect;

- (f) if the Fixed Interest Rate Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Fixed Interest Rate Swap Agreement and described above;
- (g) the earlier to occur of (i) an acceleration in respect of the Notes and (ii) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Condition 7.4; and
- (i) if any of the Transaction Documents is amended in any material respect in a manner detrimental to the Fixed Interest Rate Swap Provider's interests (other than with the prior written consent of the Interest Rate Swap Provider).

In addition, the JPMSL Fixed Interest Rate Swap Agreements may contain (and any replacement fixed interest rate swap agreement may contain) an option for the Issuer to reduce the notional amount of the JPMSL Fixed Interest Rate Swap to zero for any Calculation Period and for all subsequent Calculation Periods by giving the JPMSL Fixed Interest Rate Swap Provider at least 5 Business Days' notice before the start of such Calculation Period. The Issuer may exercise this option subject to certain conditions being met – see "*Optional Reduction in the Notional Amount of the Fixed Interest Rate Swap*" below.

Upon an early termination of the Fixed Interest Rate Swap, depending on the type of Early Termination Event and circumstances prevailing at the time of termination, the Issuer or the Fixed Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

Depending on the terms of the Fixed Interest Rate Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

In addition to the scheduled payment and Early Termination Event provisions described above, if a JPMSL Fixed Interest Rate Swap Agreement becomes active or if a Replacement Fixed Interest Rate Swap Provider is appointed on terms similar to those set out in the JPMSL Fixed Interest Rate Swap Agreement, then if any back-to-back swap arrangement relating to that swap is terminated, and either (i) a Loan in the Portfolio is subject to a Product Switch which results in such Loan becoming or ceasing to be a Fixed Rate Loan, or (ii) a Fixed Rate Loan is subject to a Repurchase, Rearrangement, Flexible Drawing or Further Advance, an amount (the **Additional Payment**) equal to the change in value of the Fixed Interest Rate Swap prior to the occurrence of such events and after may be payable between the Issuer and the Fixed Interest Rate Swap Provider. Any such Additional Payment paid by the Issuer shall not be paid out of Available Revenue Receipts but shall be payable out of reserves funded by the proceeds of the Class C VFN or by additional payments made by the Seller under the Mortgage Sale Agreement. Any such Additional Payment received by the Issuer from the Fixed Interest Rate Swap Provider shall not form part of the Available Revenue Receipts but shall be used to repay the Class C VFN or Seller under the Mortgage Sale Agreement. The provisions above will not apply to the Co-op Fixed Interest Rate Swap entered into between the Co-op and the Issuer. The Fixed Interest Rate Swap Providers may, subject to certain conditions specified in the Fixed Interest Rate Swap Agreement including (without limitation) the satisfaction of certain requirements of the

Rating Agencies and prior written consent of the Issuer, transfer its obligations under the Fixed Interest Rate Swap Agreement to another entity with the ratings as specified in the Fixed Interest Rate Swap Agreement.

The Issuer is not obliged under the Fixed Interest Rate Swap Agreements to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Fixed Interest Rate Swap.

The Fixed Interest Rate Swap Providers will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Fixed Interest Rate Swap. However, if the Fixed Interest Rate Swap Provider is required to gross up a payment under the Fixed Interest Rate Swap due to a change in the law, the Fixed Interest Rate Swap Provider may terminate the Fixed Interest Rate Swap.

Optional Reduction in the Notional Amount of the Fixed Interest Rate Swap

During the Swap Notional Transfer Period, either the Co-op in its capacity as Co-op Fixed Interest Rate Swap Provider or JPMSL in its capacity as JPMSL Fixed Interest Rate Swap Provider may, on any Business Day, give notice to the other, with a copy to the Issuer and the Security Trustee, and direct such other party to designate as of the Effective Date (as that term is defined in the Substitute JPMSL Fixed Interest Rate Swap Agreement) and provided that the then current ratings assigned by the Rating Agencies to the Class A1 Notes will not be withdrawn, downgraded or put on negative watch as a result of such action and certain conditions precedent are met, the notional balance of the Substitute JPMSL Fixed Interest Rate Swap Agreement shall be increased from zero to the Fixed Loan Balance (as defined below) with effect from the Substitution Date and the Fixed Loan Balance of the Co-op Fixed Interest Rate Swap shall be reduced to zero on the date such increase becomes effective.

During the Swap Notional Transfer Period, if the Co-op Fixed Interest Rate Swap Provider is downgraded to A3 by Moody's or below and the appointment of JPMSL as Fixed Interest Rate Swap Provider would result in the then current ratings assigned by the Rating Agencies to the Class A1 Notes to be withdrawn, downgraded or put on negative watch, the Co-op Fixed Interest Rate Swap Provider will be entitled to appoint a Replacement Fixed Interest Rate Swap Provider to act in connection with the transaction subject to the consent of the Security Trustee.

In addition, the JPMSL Fixed Interest Rate Swap Agreements may contain (and any replacement fixed interest rate swap agreement may contain) an option for the Issuer to reduce the notional amount of the JPMSL Fixed Interest Rate Swap to zero for any Calculation Period and for all subsequent Calculations Periods by giving the JPMSL Fixed Interest Rate Swap Provider at least 5 Business Days' notice before the start of such Calculation Period. The Issuer may exercise this option subject to the consent of the Security Trustee.

The relevant Fixed Interest Rate Swap Agreement may not be terminated and any replacement fixed interest rate swap agreement may not be entered into unless the Security Trustee is satisfied that:

- (a) the terms of the replacement fixed interest rate swap agreement have the same effect as the terms of the Co-op Fixed Interest Rate Swap Agreement or JPMSL Fixed Interest Rate Swap Agreement (as applicable) in respect of any obligation (whether absolute or contingent) to make payment or delivery to the Issuer after the effective date of such transfer;
- (b) the terms of the replacement fixed interest rate swap agreement, insofar as the terms do not relate to payment or delivery obligations, are, in all material respects, no less beneficial for the Issuer than the terms of the Co-op Fixed Interest Rate Swap Agreement or JPMSL Fixed Interest Rate Swap Agreement (as applicable) immediately before such transfer; and

- (c) the ratings of the Class A1 Notes at that time outstanding will not be downgraded, withdrawn or qualified as a result of the entering into of the replacement fixed interest rate swap agreement; and

the Security Trustee will be satisfied with (a), (b) and (c) above and will provide its consent if it has received a legal opinion(s) in a form acceptable to the Security Trustee and a certificate from the Cash Manager in a form acceptable to the Security Trustee certifying, *inter alia*, the matters set out in (a), (b) and (c) above, that the Cash Manager has notified the Rating Agencies of the intention to enter into the replacement fixed interest rate swap agreement and has not, within 14 days of such notification, received any written notification from the Rating Agencies that such replacement fixed interest rate swap would cause the then current ratings of the Class A Notes to be downgraded and that in the Cash Manager's opinion, the ratings of the Class A1 Notes at all times outstanding will not be downgraded, withdrawn or qualified as a result of the entering into of the replacement fixed interest rate swap agreement.

After the conclusion of the Swap Notional Transfer Period, if the Substitute JPMSL Fixed Interest Rate Swap has not been activated, JPMSL will no longer be bound by the Substitute JPMSL Fixed Interest Rate Swap Agreement, and the Co-op Fixed Interest Rate Swap Provider will be entitled to appoint a Replacement Fixed Interest Rate Swap Provider which may or may not be JPMSL.

The Fixed Interest Rate Swap Agreement will be governed by English law.

Floating Interest Rate Swap

Some of the Loans in the Portfolio pay a variable rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

- (a) the variable rates of interest payable on the SVR Loans and on the Tracker Rate Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR,

the Issuer will enter into the Floating Interest Rate Swaps with the Floating Interest Rate Swap Provider under the Floating Interest Rate Swap Agreement on the Closing Date.

Under the Floating Interest Rate Swap, in respect of each Interest Period, the following amounts will be calculated:

Under the Floating Interest Rate Swap relating to the SVR Loans, for each Interest Period the following amounts will be calculated:

- (a) the amount produced by applying the average for each Reference Date relating to that Interest Period of the Seller's standard variable rate (the **SVR**) to a notional amount (the **SVR Notional Amount**) equal to the average for each such Reference Date of the aggregate Capital Balance of the SVR Loans as at such Reference Date (known as the **SVR Issuer Amount**); and
- (b) the amount produced by applying a rate equal to Three-Month LIBOR for such Interest Period to the SVR Notional Amount for such Interest Period (the **SVR Swap Provider Amount**).

Under the Floating Interest Rate Swap relating to the Tracker Rate Loans, for each Interest Period the following amounts will be calculated:

- (a) the amount produced by applying the average for each Reference Date relating to that Interest Period of the Bank of England's base rate to a notional amount (the **Tracker Notional Amount**) equal to the average for each such Reference Date of the aggregate Capital Balance of the Tracker Rate Loans as at such Reference Date (known as the **Tracker Issuer Amount**); and
- (b) the amount produced by applying a rate equal to Three-Month LIBOR for such Interest Period to the Tracker Notional Amount for such Interest Period (the **Tracker Swap Provider Amount**).

After these amounts are calculated in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

- (a) if the SVR Swap Provider Amount for that Interest Payment Date is greater than the SVR Issuer Amount for that Interest Payment Date, then the Floating Interest Rate Swap Provider will pay the difference to the Issuer;
- (b) if the SVR Issuer Amount for that Interest Payment Date is greater than the SVR Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the difference to the Floating Interest Rate Swap Provider;
- (c) if the Tracker Swap Provider Amount for that Interest Payment Date is greater than the Tracker Issuer Amount for that Interest Payment Date, then the Floating Interest Rate Swap Provider will pay the difference to the Issuer; and
- (d) if the Tracker Issuer Amount for that Interest Payment Date is greater than the Tracker Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the difference to the Floating Interest Rate Swap Provider.

If a payment is to be made by the Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

For the purposes of calculating the SVR Issuer Amount, the SVR Swap Provider Amount, the Tracker Issuer Amount and the Tracker Swap Provider Amount in respect of an Interest Period, the **Reference Dates** in respect of such Interest Period will be the last calendar day of the month immediately prior to the start of such Interest Period and the last calendar day of each of the two calendar months falling immediately following the start of such Interest Period, each as adjusted to reflect any Rearrangements, Flexible Drawings, Further Advances and any repurchases by the Seller in accordance with the Mortgage Sale Agreement that are scheduled to take effect on the Monthly Period End Date immediately following the Monthly Test Date on which the SVR Issuer Amount, the SVR Swap Provider Amount, the Tracker Issuer Amount and the Tracker Swap Provider Amount are determined.

Unless an Early Termination Event (as defined below) occurs, the Floating Interest Rate Swaps will terminate on the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero. In the event that a Floating Interest Rate Swap is terminated prior to the service of a Note Acceleration Notice or the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero, the Issuer may enter into a replacement floating interest rate swap on terms acceptable to the Issuer and the Security Trustee. If the Issuer is unable to enter into a replacement interest rate swap, this may affect amounts available to pay interest on the Notes.

The Floating Interest Rate Swap will not contain any provisions requiring the Floating Interest Rate Swap Provider to take any remedial action (whether the provision of collateral, obtaining a guarantee or transferring the Floating Interest Rate Swap to a replacement Floating Interest Rate Swap Provider) in any

circumstances, including the decline in rating, default or insolvency of the Floating Interest Rate Swap Provider.

The Floating Interest Rate Swap may be terminated in certain circumstances, including the following, each as more specifically defined in the Floating Interest Rate Swap Agreement (an **Early Termination Event**):

- (a) if there is a failure by a party to pay amounts due under the Floating Interest Rate Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Floating Interest Rate Swap Agreement by the Floating Interest Rate Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Floating Interest Rate Swap due to change in law or if certain tax representations made by the Floating Interest Rate Swap Provider prove to have been incorrect or misleading in any material respect;
- (f) if the Note Trustee serves a Note Acceleration Notice on the Issuer pursuant to Condition 10 of the Notes;
- (g) if there is a redemption of the Notes pursuant to Condition 7.3; and
- (h) if any of the Transaction Documents is amended (other than with the prior written consent of the Floating Interest Rate Swap Provider).

The Floating Interest Rate Swap Agreement will provide that, upon the occurrence of any event giving rise to early termination (in whole or in part) of the Floating Interest Rate Swap, no termination payment will be due by either the Issuer or the Floating Interest Rate Swap Provider except for the net sum of all amounts which were due and payable between the Floating Interest Rate Swap Provider and the Issuer on or prior to the Early Termination Date (as defined in the Floating Interest Rate Swap Agreement) and which remain unpaid as at such Early Termination Date.

CASHFLOWS

Definition of Revenue Receipts

Revenue Receipts means (a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Sale Date of a Loan) and other fees due from time to time under the Loans (including any Early Repayment Fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

Definition of Available Revenue Receipts

Available Revenue Receipts means, for each Interest Payment Date, an amount equal to the aggregate of (without double-counting):

- (a) Revenue Receipts received during the immediately preceding Collection Period;
- (b) interest payable to the Issuer on the Deposit Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreements or the Currency Swap Agreement (if any) (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreements or the Currency Swap Agreement (if any) which is to be applied in acquiring a replacement swap, (ii) in the case of the Fixed Interest Rate Swap Agreements or the Currency Swap Agreement (if any), Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreements or the Currency Swap Agreement (if any), to reduce the amount that would otherwise be payable by a Fixed Interest Rate Swap Provider or the Currency Swap Provider to the Issuer on early termination of the relevant Fixed Interest Rate Swap or Currency Swap under the relevant Fixed Interest Rate Swap Agreement or Currency Swap Agreement (if any) and, to the extent so applied in reduction of the amount otherwise payable by a Fixed Interest Rate Swap Provider or Currency Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Interest Rate Swap Providers or the Currency Swap Provider, (iv) amounts in respect of Swap Tax Credits and (v) Additional Payments) on such Interest Payment Date;
- (d) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;
- (e) the Scheduled Yield Amount;
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with paragraph (b)(v) of the Pre-Acceleration Principal Priority of Payments);
- (g) amounts deemed to be Available Revenue Receipts in accordance with paragraph (b)(v) of the Pre-Acceleration Principal Priority of Payments;
- (h) amounts received by the Issuer as accrued interest in respect of any Rearrangements repurchased by the Seller in the immediately preceding Collection Period;

- (i) any Early Repayment Fees;
- (j) any Account Bank Defaulted Amounts in replacement of those Available Revenue Receipts that have not been paid by Co-op in its capacity as Co-op Account Bank as a result of an Account Bank Non Payment Event; and
- (k) if the Class C VFN is redeemed in full, any amounts standing to the credit of the Swap Provider Fee Amount Ledger;

less:

- (l) amounts applied from time to time during the immediately preceding Collection Period in making payment of the Rearrangement Revenue Element and of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) certain fees charged by the Servicer in respect of its servicing of the Loans (the **Servicing Related Fees**);
 - (ii) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (iii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account; and
 - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (l) being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

plus

- (m) if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (l) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;

plus

- (n) if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (l) plus (m) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, the amount then standing to the credit of the Liquidity Reserve Ledger and available to be drawn to the extent necessary to pay such Revenue Deficiency.

plus

- (o) if a Revenue Deficiency occurs such that the aggregate of items (a) to (k) less (l) plus (m) and (n) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the Co-op Fixed Interest Rate Swap Provider has failed to make a payment under the Co-op Fixed Interest Rate Swap Agreement and such default is continuing, the Swap Collateral

contributed by the Co-op Fixed Interest Rate Swap Provider in an aggregate amount equal to the lesser of (i) such Revenue Deficiency and (ii) the Defaulted Swap Amount.

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of (i) the Principal Ledger and (ii) if there are insufficient monies standing to the credit of the Principal Ledger, the Retained Principal Receipts Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments to items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger and/or the Retained Principal Receipts Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Ledger.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger and the Retained Principal Receipts Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies Drawn from the Liquidity Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, if following the application of the amounts standing to the credit of the Principal Ledger and/or the Retained Principal Receipts Ledger there remains a Revenue Deficiency then monies standing to the credit of the Liquidity Reserve Fund Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments at items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments to the extent required.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Liquidity Reserve Fund Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

If any amounts are applied from the Liquidity Reserve Fund Ledger to fund items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, a corresponding debit will be made to the Principal Deficiency Ledger.

Application of Co-op Fixed Interest Swap Collateral Amount

Prior to service of a Note Acceleration Notice on the Issuer, on any Interest Payment Date where the Co-op Fixed Interest Rate Swap Provider has defaulted in a payment to the Issuer in accordance with the terms of the Co-op Fixed Interest Rate Swap Agreement and such default is continuing, the Cash Manager (on behalf of the Issuer) may apply the Swap Collateral contributed by the Co-op Fixed Interest Rate Swap Provider as Available Revenue Receipts in an aggregate amount equal to the lesser of (i) the Revenue Deficiency and (ii) the Defaulted Swap Amount.

The Set-Off Overcollateralisation Amount

Further funding may be made under the Class B1 VFN to reflect the extent to which the Set-Off Overcollateralisation Amount has increased following the issuance of Further Class A1 Notes or New Class A Notes and the proceeds of such further funding under the Class B1 VFN in an amount equal to the increase in the Set-Off Collateralisation Amount will be applied as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

Application of Monies following redemption of the Notes in full

On any Optional Redemption Date (which is not an Interest Payment Date) on which the Notes are repaid or provided for in full, the Issuer (or the Cash Manager on its behalf) may, or if directed by the Seller, shall, apply all amounts standing to the credit of any Bank Account of the Issuer to repay any liabilities of the Issuer and to discharge all other amounts required to be paid by the Issuer in accordance with the order of priority set out in the Post-Acceleration Priority of Payments.

Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full): provided that the Cash Manager on behalf of the Issuer will apply Revenue Receipts on each Monthly Pool Date towards the purchase of the Rearrangement Revenue Element of the purchase price of any Loans which have been subject to a Rearrangement and which have been offered for sale by the Seller to the Issuer (the **Pre-Acceleration Revenue Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (**VAT**) thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate

Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;

- (iii) any amounts then due and payable to the BNY Mellon Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the BNY Mellon Account Bank in the immediately succeeding Interest Period under the provisions of the BNY Mellon Account Bank Agreement, together with (if applicable) VAT thereon as provided therein; and
 - (iv) if the Swap Collateral Account Bank Agreement is entered into, any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (m) below));
- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein; and
 - (iii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Co-op Account Bank in the immediately succeeding Interest Period under the provisions of the Co-op Bank Account Agreement, together with VAT (if payable) thereon as provided therein;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due to the Fixed Interest Rate Swap Providers in respect of the Fixed Interest Rate Swap Agreements (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the relevant Fixed Interest Rate Swap Provider of any Replacement Swap Premium but excluding, if applicable, any related Fixed Interest Rate Swap Excluded Termination Amount, any Fixed Interest Rate Withheld Amount and any Additional Payment); and
 - (ii) any amounts due to the Floating Interest Rate Swap Provider in respect of the Floating Interest Rate Swap Agreement;

- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* according to the respective Principal Amount Outstanding thereof:
- (i) interest due and payable on the Class A1 Notes;
 - (ii) interest due and payable on the Class D VFN (on each Interest Payment Date following the Investor Redemption Date);
 - (iii) interest due and payable on the New Class A Notes (other than the Non-Sterling Class A Notes) (to the extent issued);
 - (iv) the interest element (if any) of amounts due to the Currency Swap Provider in respect of the Currency Swap relating to any Non-Sterling Class A Notes issued (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount to the extent it is not satisfied by the payment by the Issuer to it of any Replacement Swap Premium); and
 - (v) interest due and payable (if any) on any Non-Sterling Class A Notes issued if the Currency Swap has been terminated but not replaced;
- (g) *seventh* (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit *pro rata* and *pari passu* the Class A Principal Deficiency Ledger and the Class D Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (h) *eighth*, provided such Interest Payment Date is not the final interest payment date of the transaction, to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (i) *ninth* (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (j) *tenth*, provided such Interest Payment Date is not the final interest payment date of the transaction, to credit the Yield Reserve Ledger up to the Yield Reserve Required Amount;
- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date to pay, *pro rata* and *pari passu* according to the respective Principal Amount Outstanding thereof:
- (i) interest (including any Deferred Interest) due and payable on the Class B1 VFN; and
 - (ii) interest (including any Deferred Interest) due and payable on the Class B2 VFN;
- (l) *twelfth*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class C VFN;
- (m) *thirteenth*, to pay the Issuer an amount equal to one quarter of £4,500 to be retained by the Issuer as profit in respect of the business of the Issuer;
- (n) *fourteenth*, to provide for amounts due on the relevant Interest Payment Date to pay principal due and payable on the Class B VFN regarding subscriptions under the Class B VFN used to fund items other than the Capital Balance of the Loan;

- (o) *fifteenth*, to provide for amounts due on the relevant Interest Payment Date to pay principal due and payable on the Class C VFN;
- (p) *sixteenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the relevant Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, to a Fixed Interest Rate Swap Provider or Currency Swap Provider in respect of any Fixed Interest Rate Swap Excluded Termination Amount or Currency Swap Excluded Termination Amount, as applicable (to the extent not satisfied by payment to the Fixed Interest Rate Swap Provider or Currency Swap Provider, as applicable, by the Issuer of any Replacement Swap Premium);
- (q) *seventeenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller; and
- (r) *eighteenth*, the excess (if any) to the Issuer to be retained by the Issuer as profit in respect of the business of the Issuer.

As used in this Prospectus:

Accrued Interest means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;

Appointee means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions;

Arrears of Interest means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;

Capital Balance means, in respect of a Loan on any date, the principal balance of that Loan to which the Servicer applies the relevant interest rate and on which interest on that Loan accrues;

Capitalised Interest means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

Currency Swap Provider Default means the occurrence of an Event of Default (as defined in the Currency Swap Agreement) where the relevant Currency Swap Provider is the Defaulting Party (as defined in the relevant Currency Swap Agreement);

Currency Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Currency Swap Agreement) following the failure by a Currency Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Currency Swap Agreement;

Currency Swap Excluded Termination Amount means, in relation to a Currency Swap Agreement, the amount of any termination payment due and payable to the Currency Swap Provider as a result of a Currency Swap Provider Default or Currency Swap Provider Downgrade Event;

Early Repayment Fee means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory

reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions;

Early Repayment Fee Receipts means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees;

Excess Swap Collateral means, in respect of a Fixed Interest Rate Swap Agreement or a Currency Swap Agreement, an amount (which will be transferred directly to the relevant Fixed Interest Rate Swap Provider or Currency Swap Provider, as applicable, in accordance with such Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the relevant Fixed Interest Rate Swap Provider or Currency Swap Provider, as applicable, to the Issuer pursuant to such Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, exceeds the Fixed Interest Rate Swap Provider's or Currency Swap Provider's, as applicable, liability under the relevant Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, as at the date of termination of such Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, or which it is otherwise entitled to have returned to it under the terms of such Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable. Any amount of Swap Collateral in respect of the Co-op Fixed Interest Rate Swap Agreement used towards curing any Revenue Deficiency will be deducted from the amount due to the Co-op Fixed Interest Rate Swap Provider;

Fixed Interest Rate Swap Excluded Termination Amount means, in relation to the Co-op Fixed Interest Rate Swap Agreement and any other Fixed Interest Rate Swap Agreement that does not contain an option for the Issuer to reduce the Fixed Rate Notional Amount to zero in accordance with the terms of such Fixed Interest Rate Swap Agreement, the amount of any termination payment due and payable to that Fixed Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event;

Fixed Interest Rate Withheld Amount means, in respect of a Fixed Interest Rate Swap Agreement, any net payment amount that would be due on any Interest Payment Date to the Fixed Interest Rate Swap Provider but which has not been paid by the Issuer in accordance with Section 2(a)(iii) of the relevant Fixed Interest Rate Swap Agreement following an event of default under such Fixed Interest Rate Swap Agreement where the Fixed Interest Rate Swap Provider is the Defaulting Party;

Interest Period means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes (other than the Class D VFN), where it shall be the period from (and including) the Closing Date and in the case of the first Interest Period for the Class D VFN, where it shall be the period from (and including) the Interest Payment Date falling in March 2015) to (but excluding) the next succeeding (or first) Interest Payment Date for that Note;

Interest Rate Swap Provider Default means the occurrence of an Event of Default (as defined in the Fixed Interest Rate Swap Agreements) where the relevant Fixed Interest Rate Swap Provider is the Defaulting Party (as defined in the relevant Interest Rate Swap Agreement);

Interest Rate Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Fixed Interest Rate Swap Agreements) following the failure by a Fixed Interest Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Fixed Interest Rate Swap Agreement;

Redemption Fee means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan;

Replacement Swap Premium means an amount received by the Issuer from a replacement interest rate swap provider or replacement currency swap provider upon entry by the Issuer into an agreement with such replacement interest rate swap provider or replacement currency swap provider to replace the Interest Rate Swap or Currency Swap, as applicable;

Swap Collateral means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by a Fixed Interest Rate Swap Provider or Currency Swap Provider to the Issuer under the relevant Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, and includes any interest and distributions in respect thereof; and

Swap Tax Credits means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the relevant Interest Rate Swap Provider or Currency Swap Provider, as applicable, to the Issuer.

Definition of Principal Receipts

Principal Receipts means (a) principal repayments under the Loans (including payments of arrears, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, and (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date).

Definition of Available Principal Receipts

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of, (without double counting):

- (a) all Principal Receipts (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less (A) an amount equal to the aggregate of all Further Advance Purchase Prices and Flexible Drawing Purchase Prices and (B) an amount equal to the aggregate of all New Portfolio Purchase Prices payable by the Issuer in such Collection Period but not exceeding such Principal Receipts (as adjusted to take account of the purchase price paid by the Issuer for any Further Advances and/or Flexible Drawings on the Monthly Pool Date immediately following the Collection Period End Date)) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement (less, other than as specified in paragraph (c) below, amounts standing to the credit of the Rearrangement Purchase Ledger);
- (b) the amount standing to the credit of the Liquidity Reserve Fund (to the extent not utilised on such Interest Payment Date pursuant to paragraph (k) of the definition of Available Revenue Receipts);
- (c) (in respect of the first Interest Payment Date only) the amount paid into a Deposit Account on the Closing Date from the excess of the Notes proceeds over the Initial Consideration;
- (d) amounts standing to the credit of the Rearrangement Purchase Ledger to the extent that such amounts have not been applied to purchase Loans subject to a Rearrangement in the immediately preceding Collection Period (as adjusted to take account of the purchase price paid by the Issuer for any Rearrangement on the Monthly Pool Date immediately following the Collection Period End Date);

- (e) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A1 Principal Deficiency Ledger, the New Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger and/or the Class D Principal Deficiency Ledger is reduced;
 - (f) the proceeds of any funding under the Class B1 VFN in circumstances where the purchaser of a Further Advance or a Flexible Drawing, as the case may be, would cause the Asset Conditions to be breached but the Seller has elected not to repurchase the relevant Loan in accordance with the Mortgage Sale Agreement and the Issuer has increased the Class B1 VFN by an amount equal to the Current Balance of the relevant Loan;
 - (g) the proceeds of any further funding under the Class B2 VFN used to fund an increase in the Set-Off Overcollateralisation Amount;
 - (h) any Collateralised Amounts;
 - (i) any Account Bank Defaulted Amounts in replacement of those Available Receipts that have not been paid by Co-op in its capacity as Co-op Account Bank as a result of an Account Bank Non Payment Event; and
 - (j) any excess proceeds under the Class D VFN which are not used to redeem the Relevant Class A Notes;
- less
- (k) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (m) of the definition of Available Revenue Receipts.

Application of amounts standing to the credit of the Rearrangement Purchase Ledger

Prior to the service of a Note Acceleration Notice the principal element of any purchase price paid to the Issuer for a Loan which is subject to a Rearrangement will be credited to the Rearrangement Purchase Ledger. Monies standing to the credit of the Rearrangement Purchase Ledger may be applied by the Cash Manager on behalf of the Issuer on the Monthly Pool Date to repurchase the principal element of Loans which have been subject to a Rearrangement in the Monthly Period immediately preceding such Monthly Pool Date. To the extent funds are not applied by the Cash Manager on behalf of the Issuer to repurchase such Loans, funds standing to the credit of the Rearrangement Purchase Ledger will form part of Available Principal Receipts.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Rearrangement Purchase Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of amounts standing to the credit of the Retained Principal Receipts Ledger

Prior to the service of a Note Acceleration Notice, during the Further Sale Period, monies standing to the credit of the Retained Principal Receipts Ledger will be applied to purchase New Portfolios on each Sale Date.

Prior to the service of a Note Acceleration Notice monies standing to the credit of the Retained Principal Receipts Ledger will be applied on each Monthly Pool Date to pay all Further Advance Purchase Prices and/or Flexible Drawing Purchase Prices in the following order, first, to pay all Flexible Drawing Purchase Prices and second to pay all Further Advance Purchase Prices. To the extent funds are not applied by the

Cash Manager on behalf of the Issuer towards Further Advance Purchase Prices and/or Flexible Drawing Purchase Prices, funds standing to the credit of the Retained Principal Receipts Ledger will form part of Available Principal Receipts.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Retained Principal Receipts Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Available Principal Receipts Prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

- (a) during the Further Sale Period and up to and excluding the Further Sale Period End Date, towards a credit to the Retained Principal Receipts Ledger in an amount equal to all Available Principal Receipts; and
- (b) from, and including, the Further Sale Period End Date:
 - (i) *first*, provided such Interest Payment Date is not the final Interest Payment Date in respect of the Class A Notes, to credit the Liquidity Reserve Ledger to the Liquidity Reserve Fund Required Amount;
 - (ii) *second*, provided such Interest Payment Date is not the final Interest Payment Date of the transaction, towards a credit to the Retained Principal Receipts Ledger of an amount equal to Retained Principal Required Amount;
 - (iii) *third*, in or towards repayment *pro rata* and *pari passu* of the principal amounts outstanding on:
 - (A) the Class A1 Notes;
 - (B) the New Class A Notes, other than Non-Sterling Class A Notes (to the extent issued);
 - (C) the Class D VFN (on each Interest Payment Date following the Investor Redemption Date) where the denominations of the Class D VFN shall be taken to be the same as the Class A1 Notes for the purpose of the *pro rata* calculations;
 - (D) any principal element of amounts due to the Currency Swap Provider in respect of the Currency Swap relating to the Non-Sterling Class A Notes (if any), and from principal amounts received from the Currency Swap Provider in respect of the Currency Swap relating to the Non-Sterling Class A Notes to pay principal outstanding on such Non-Sterling Class A Notes; and
 - (E) any principal amounts outstanding on any Non-Sterling Class A Notes (if any) if the Currency Swap has been terminated but not replaced,

in each case until the Principal Amount Outstanding on the Class A1 Notes, the New Class A Notes (to the extent issued), the Class D VFN and any Non-Sterling Class A Notes (to the extent issued) has been reduced to zero;

- (iv) *fourth*, in or towards repayment *pro rata* and *pari passu* of the principal amounts outstanding on:
 - (A) the Class B1 VFN; and
 - (B) the Class B2 VFN,in each case until the Principal Amount Outstanding of the subscription under the Class B VFN used to fund the Capital Balance of the Loans has been reduced to zero; and
- (v) *fifth*, the excess (if any) to be applied as Available Revenue Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

- (a) amounts representing any Excess Swap Collateral which shall be returned directly to the Fixed Interest Rate Swap Providers under the Fixed Interest Rate Swap Agreements;
- (b) any Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by a Fixed Interest Rate Swap Provider to the Issuer on early termination of the Fixed Interest Rate Swap under the relevant Fixed Interest Rate Swap Agreement which shall be returned directly to the relevant Fixed Interest Rate Swap Provider;
- (c) any Swap Tax Credits which shall be returned directly to the relevant Interest Rate Swap Provider; and
- (d) Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to a Fixed Interest Rate Swap Provider) which shall be paid directly to the relevant Fixed Interest Rate Swap Provider,

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the BNY Mellon Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the BNY Mellon Account Bank under the provisions of the BNY Mellon Account Bank Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iv) if the Swap Collateral Account Bank Agreement is entered into, any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Swap Collateral Account Bank under the provisions of the Swap Collateral Account Bank Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Co-op Account Bank under the provisions of the Co-op Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay amounts due and payable to the Fixed Interest Rate Swap Providers in respect of the Fixed Interest Rate Swap Agreements (including any termination payment due and payable by the Issuer but excluding, where applicable, any related Fixed Interest Rate Swap Excluded Termination Amount or Fixed Interest Rate Withheld Amount);
- (e) *fifth*, to pay amounts due and payable to the Floating Interest Rate Swap Provider in respect of the Floating Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer);
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class A1 Notes and the Class D VFN, the Non-Sterling Class A Notes (to the extent issued, such amount to be paid to the Currency Swap Provider

(if any) including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount to the extent it is not satisfied by the payment by the Issuer to it of any Replacement Swap Premium) and the New Class A Notes (to the extent issued) in each case until the Principal Amount Outstanding on the Class A1 Notes and the Class D VFN, and the New Class A Notes (to the extent issued) has been reduced to zero;

- (g) *seventh*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
 - (i) interest and principal due and payable on the Class B1 VFN; and
 - (ii) interest and principal due and payable on the Class B2 VFN,in each case until the Principal Amount Outstanding on the Class B VFN has been reduced to zero;
- (h) *eighth*, to pay according to the respective outstanding amounts thereof, interest and principal due and payable on the Class C VFN in each case until the Principal Amount Outstanding on the Class C VFN has been reduced to zero;
- (i) *ninth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the relevant Fixed Interest Rate Swap Agreement or Currency Swap Agreement, as applicable, to a Fixed Interest Rate Swap Provider or Currency Swap Provider in respect of any Fixed Interest Rate Swap Excluded Termination Amount or Currency Swap Excluded Termination Amount, as applicable;
- (j) *tenth*, to pay the Issuer an amount equal to £4,500 to be retained by the Issuer in the Issuer Accounts as profit in respect of the business of the Issuer;
- (k) *eleventh*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller; and
- (l) *twelfth*, the excess (if any) to the Issuer, to be retained by the Issuer as profit in respect of the business of the Issuer.

Application of proceeds of issuance of Further Class A1 Notes or New Class A Notes

The proceeds of any issue of Further Class A1 Notes and/or New Class A Notes will be utilised by the Issuer to purchase a New Portfolio from the Seller during the Further Sale Period in accordance with the Mortgage Sale Agreement.

Application of Amounts in Respect of Swap Collateral, Excess Swap Collateral, Swap Tax Credits and Replacement Swap Premium

Amounts received by the Issuer in respect of Excess Swap Collateral, Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Interest Rate Swap Provider to the Issuer on early termination of the Fixed Interest Rate Swap under the Fixed Interest Rate Swap Agreement or to cure any Revenue Deficiency and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap), Swap Tax Credits and Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Fixed Interest Rate Swap Provider) shall, to the extent due and payable under the terms of the Fixed Interest Rate Swap Agreement, be paid directly to the Fixed Interest Rate Swap Provider without regard to the Priority of Payments and in accordance with the terms of the Deed of Charge.

DESCRIPTION OF THE GLOBAL NOTE AND THE VARIABLE FUNDING NOTES

General

The Class A1 Notes, as at the Closing Date, will be represented by a Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Note will be deposited on the Closing Date with a common depository for both Euroclear and Clearstream, Luxembourg (the **Common Depository**).

The Global Note will be registered in the name of the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of the Global Note.

Upon confirmation by the Common Depository that it has custody of the Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Global Note attributable thereto.

Book-Entry Interests in respect of the Global Note will be recorded in denominations of £100,000 integral multiples thereof (an **Authorised Denomination**). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**Participants**) or persons that hold interests in the Book-Entry Interests through Participants (**Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

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

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for

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

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

Purchasers of Book-Entry Interests in the Global Note will hold Book-Entry Interests in the Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of the Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on the Global Note

Payment of principal and interest on, and any other amount due in respect of, the Global Note will be made in Sterling by or to the order of HSBC Bank plc (the **Principal Paying Agent**) on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the **Record Date**) Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date, in respect of the Class A1 Notes shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the

Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

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

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

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

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

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

Redemption

In the event that the Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Depositary and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

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

Issuance of Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive Definitive Notes in registered form (**Registered Definitive Notes**) in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination. (See "*Risk Factors — Denominations*" above).

Action in Respect of the Global Note and the Book-Entry Interests

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

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Note.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 15 (*Notice to Noteholders*) of the Notes.

Variable Funding Notes

The Class B VFN, the Class C VFN and the Class D VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class B VFN, the Class C VFN or the Class D VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the VFN Registrar, in which the Class B VFN, the Class C VFN and the Class D VFN will be registered in the name of the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder, respectively. Transfers of the Class B VFN, the Class C VFN or the Class D VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** of the Notes and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £2,500,000,000 class A1 asset backed floating rate Notes due 2052 and any Further Class A1 Notes which are to be consolidated and form a single class with such Notes (the **Class A1 Notes**), the £900,000,000 class B1 variable funded note due 2052 (the **Class B1 VFN**) and the £290,000,000 Class B2 variable funded note due 2052 (the **Class B2 VFN** and together with the Class B1 VFN, the **Class B VFN**), the £290,000,000 Class C variable funded note due 2052 (the **Class C VFN**) and the £2,750,000,000 Class D variable funded note due 2052 (the **Class D VFN** and, together with the Class A1 Notes, the Class B VFN and the Class C VFN, the **Notes**), in each case of Silk Road Finance Number One PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 25 February 2010 (the **Closing Date**) and made between, *inter alios*, the Issuer and Capita Trust Company Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A1 Notes, the Class B VFN, the Class C VFN or the Class D VFN, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, the Issuer and Capita Trust Company Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent**) and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), HSBC Bank plc as registrar (in such capacity, the **Registrar**), The Co-operative Bank p.l.c. (the **Co-op**) as VFN registrar (in such capacity, the **VFN Registrar**) and HSBC Bank plc as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Class A1 Notes will initially be represented by a global note in registered form (a **Global Note**). Each of the Class B VFN, the Class C VFN and Class D VFN will be in dematerialised registered form.

For so long as any Class A1 Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate.

For so long as the Class A1 Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A1 Notes shall be tradable only in the minimum nominal amount of £100,000 and integral multiples thereof.

A Global Note will be exchanged for Class A1 Notes in definitive registered form (such exchanged Global Note, the **Definitive Notes**) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Class A1 Notes which would not be required were the Class A1 Notes in definitive registered form.

If Definitive Notes are issued in respect of Class A1 Notes originally represented by the Global Note, the beneficial interests represented by the Global Note shall be exchanged by the Issuer for Class A1 Notes in definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Class A1 Notes in global and (if issued) definitive form and the Class D VFN will be £100,000. Class A1 Notes in definitive form, if issued, will be printed and issued in the minimum denomination of £100,000 and any integral multiples thereof.

Each Class of the VFNs (other than the Class D VFN) have a minimum denomination of £100 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class of VFNs will be issued.

The Class B1 VFN will be issued on the Closing Date with a nominal principal amount of £900,000,000 and a Principal Amount Outstanding of £406,989,400 will be subscribed for on the Closing Date. The Class B2 VFN will be issued on the Closing Date with a nominal principal amount of £290,000,000 and a Principal

Amount Outstanding of £50,000,000 will be subscribed for on the Closing Date. The Class C VFN will be issued on the Closing Date with a nominal principal amount of £290,000,000 and a Principal Amount Outstanding of £135,227,000 will be subscribed for on the Closing Date. The Class D VFN will be issued on the Closing Date with a nominal principal amount of £2,750,000,000 and a Principal Amount Outstanding of £0 will be subscribed for on the Closing Date and may be funded on the Investor Redemption Date. If a further funding is made in respect of any of the Class B VFN, the Class C VFN or the Class D VFN, the VFN Registrar shall record such increase in the Principal Amount Outstanding of the relevant Class B VFN or the Class C VFN in the register for the VFNs (the **VFN Register**).

References to **VFN** in these Conditions means the Class B VFN, the Class C VFN and the Class D VFN.

References to **Notes** in these Conditions shall include the Global Note, the VFN and the Definitive Notes.

2.2 Title

Title to the Global Note shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of the Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note or a VFN shall only pass by and upon registration of the transfer in the Register or the VFN Register (as applicable) provided that no transferee shall be registered as a new Class B VFN Holder, a new Class C VFN Holder or new Class D VFN Holder (as the case may be) unless (i) the prior written consent of the Issuer and (for so long as any Class A1 Notes are outstanding) the Note Trustee has been obtained (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A1 Noteholders) and (ii) such transferee has certified to, *inter alios*, the VFN Registrar that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder and provided further that title to the Class D VFN shall not pass to a new Class D VFN Holder prior to the Investor Redemption Date.

Qualifying Noteholder means:

- (a) a person which is beneficially entitled to interest in respect of the VFN and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the **CTA**) of that company; or
 - (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or

- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (**ITA 2007**) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007.

Definitive Notes may be transferred upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (*Form and Denomination*) above. All transfers of Definitive Notes are subject to any restrictions on transfer set forth on the Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 *Status and relationship between the Notes*

- (a) The Class A1 Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A1 Notes and the Class D VFN rank *pari passu* without preference or priority amongst themselves.
- (b) The Class B VFN, the Class C VFN and the Class D VFN constitute direct, secured and (subject as provided in Condition 18 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class B VFN rank *pari passu* without preference or priority amongst themselves but junior to the Class A1 Notes and the Class D VFN, as provided in these Conditions and the Transaction Documents. The Class C VFN rank *pari passu* without preference or priority amongst themselves, but junior to the Class A1 Notes and the Class D VFN and the Class B VFN as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B VFN Holder will be subordinated to the interests of the Class A1 Noteholders and the Class D VFN Holder (so long as any Class A1 Notes or Class D VFN remain outstanding); and the interests of the Class C VFN Holder will be subordinated to the interests of the Class A1 Noteholders and the Class D VFN Holder and the Class B VFN Holder (so long as any Class A1 Notes or Class D VFN or Class B VFN remain outstanding).
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee in any such case to have regard only to the interests of (i) the Class A1 Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class A1 Noteholders and, on the other, each or any of the Class B VFN Holder and/or the Class C VFN Holder and/or the Class D VFN Holder; (ii) the Class D VFN Holder if, in the Note Trustee's, or as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class D VFN Holder and, on the other, each or any of the Class B VFN Holder and/or the C VFN Holder; or (iii) the Class B VFN Holder if, in the

Note Trustee's, or as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class B VFN Holder and, on the other, each or any of the Class C VFN Holder. As long as the Notes are outstanding but subject to Condition 12.4, the Security Trustee shall not have regard to the interests of the other Secured Creditors.

- (d) In the event of an issue of Further Class A1 Notes (as defined in Condition 16.1 (*Further Class A1 Notes and New Class A Notes*)) or New Class A Notes (as defined in Condition 16.1 (*Further Class A1 Notes and New Class A Notes*))), the provisions of these Conditions, the Trust Deed, the Deed of Charge and the other Transaction Documents, including (in the case of New Class A Notes) those concerning:
- (i) the basis on which the Note Trustee will be required to exercise or perform its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee, there is a conflict between the interests of any Class of the Noteholders and the holders of such New Class A Notes);
 - (ii) the circumstances in which the Note Trustee will become bound to take action, as referred to in Condition 10 (*Events of Default*) and Condition 11 (*Enforcement*);
 - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
 - (iv) the order of priority of payments (including the order which applies prior to the acceleration of the Notes, (both prior to, and upon, enforcement of the security constituted by the Deed of Charge) and the order which applies upon acceleration of the Notes),

will be modified in such manner as agreed with the Note Trustee, the Security Trustee and the Secured Creditors following certification from the Issuer that such modification are necessary to reflect the issue of such Further Class A1 Notes or, as the case may be, New Class A Notes and any new Transaction Documents entered into in connection with such Further Class A1 Notes, or, as the case may be, New Class A Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each class of the Notes, provided that the Issuer certifies to the Note Trustee and the Security Trustee, as applicable, that:

- (A) no Event of Default is outstanding or could arise as a result of the issuance of such New Class A Notes or Further Class A1 Notes;
- (B) the conditions for the issuance of such New Class A Notes or Further Class A1 Notes as set out in Condition 16 (*Further Class A1 Notes and New Class A Notes*) have been or will be satisfied on or prior to the date of such issuance; and
- (C) the modifications proposed by the Issuer are necessary for the proposed issuance of such New Class A Notes or Further Class A1 Notes.

If any New Class A Notes or Further Class A1 Notes are issued, the Issuer will immediately advise the UK Listing Authority and the London Stock Exchange accordingly, procure the publication of a notice of the issue in accordance with Condition 15 (*Notice to Noteholders*), file a new prospectus in respect of the issue of the New Class A Notes or Further Class A1 Notes with the UK Listing Authority and the London Stock Exchange and make such prospectus and any related agreements available in London at the specified office of the relevant Paying Agent.

- (e) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder to request or direct the Note Trustee

or the Security Trustee to take any action or to sanction a direction according to the effect thereof on the interests of the Class A1 Noteholders.

- (f) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A1 Noteholders, the exercise of which will be binding on the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder.

3.2 Security

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

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

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent,

approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts and the Swap Collateral Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or
- (j) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. INTEREST

5.1 *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A1 Note, that part only of such Class A1 Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling in June 2010.

Interest will be payable quarterly in arrear on the 21st day of March, June, September and December, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**), for all classes of Notes.

In these Conditions, **Interest Period** shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes (other than the Class D VFN), where it shall be the period from (and including) the Closing Date and in the case of the first Interest Period for the Class D VFN, where it shall be the period from (and including) the Interest Payment Date falling in March 2015) to (but excluding) the next succeeding (or first) Interest Payment Date.

5.3 *Rate of Interest and Step-Down Margins*

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined in accordance with paragraphs (i) - (ii) below:

- (i) in respect of the Notes, the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes (other than the Class D VFN), the linear interpolation of LIBOR for three and four month deposit in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Determination Date. The Rates of Interest for the relevant

Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and

- (ii) if, on any Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

- (b) On the Interest Payment Date falling in March 2015 (the **Step Down Date**) and thereafter, a lower interest amount will be payable by the Issuer with respect to each of the Class A1 Notes. The Class A1 Note (or, in the case of the redemption of part only of a Class A1 Note, that part only of such Class A1 Note) will cease to attract a relevant Step-Down Margin from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Class A1 Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event the Step-Down Margin shall continue to accrue as provided in the Trust Deed.
- (c) The Step-Down Margins set out in paragraph (d)(iii) below will be payable quarterly in arrear on each Interest Payment Date from (and including) the Interest Payment Date following the Step-Down Date for each of the Notes.
- (d) In these Conditions (except where otherwise defined), the expression:
 - (i) **Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
 - (ii) **Relevant Margin** means:
 - (A) prior to the Step-Down Date, in respect of each Class of the Notes the following per cent. per annum:
 - i. in respect of the Class A1 Notes, 1.40 per cent. per annum (the **Class A1 Margin**);
 - ii. in respect of the Class B1 VFN, 0.21 per cent. per annum (the **Class B1 Margin**);

- iii. in respect of the Class B2 VFN, 0.21 per cent. per annum (the **Class B2 Margin**); and
 - iv. in respect of the Class C VFN, 0.21 per cent. per annum (the **Class C Margin**); and
- (B) on and after the Step-Down Date, the Step-Down Margin;
- (iii) **Step-Down Margin** means, from and including the Step-Down Date:
 - (A) in respect of the Class A1 Notes, 0.55 per cent. per annum;
 - (B) in respect of the Class B1 VFN, the Class B1 VFN Margin;
 - (C) in respect of the Class B2 VFN, the Class B2 VFN Margin;
 - (D) in respect of the Class C VFN, the Class C VFN Margin; and
 - (E) in respect of the Class D VFN, 0.55 per cent. per annum;
- (iv) **Relevant Screen Rate** means the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period (other than the first Interest Period for the Class D VFN), the rate which represents the linear interpolation of LIBOR for three and four month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (v) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such; and
- (vi) **Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) (on each Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the **Sterling Interest Amounts**) payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Sterling Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 (or, if any portion of the Interest Period concerned falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period concerned falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period concerned falling in a non-leap year divided by 365).

5.5 Publication of Rates of Interest and Sterling Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Sterling Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar, the VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with

Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Sterling Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 *Determination by the Note Trustee*

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Sterling Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Sterling Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, employ an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 *Notifications, etc. to be Final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the VFN Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar, the VFN Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 *Agent Bank*

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Sterling Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

6. PAYMENTS

6.1 *Payment of Interest and Principal*

Payments of principal and interest shall be made by Sterling cheque or upon application by the relevant Noteholder to the specified office of the Principal Paying Agent (or the VFN Registrar in respect of any VFN) not later than the fifteenth day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the Global Note or Definitive Notes (as the case may be) at the specified office of any Paying Agent.

6.2 *Laws and Regulations*

Payments of principal and interest in respect of the Notes are subject, in all cases, to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 *Payment of Interest following a Failure to pay Principal*

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Condition 5.3(b) (*Rate of Interest and Step-Down Margins*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 *Change of Paying Agents*

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the VFN Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, the Registrar and the VFN Registrar with a specified office in Luxembourg or in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents, the Registrar or the VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 *No Payment on non-Business Day*

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 *Partial Payment*

If a Paying Agent or the VFN Registrar (in respect of any VFN) makes a partial payment in respect of any Note, the Registrar and/or VFN Registrar (as applicable) will, in respect of the relevant Note, annotate the Register and/or the VFN Register (as applicable), indicating the amount and date of such payment.

6.7 *Payment of Interest*

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to

time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. REDEMPTION

7.1 *Redemption at Maturity*

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in December 2052.

7.2 *Mandatory Redemption*

- (a) Each Note shall, subject to Condition 7.3 (*Optional Redemption of the Class A1 Notes in Full*) and 7.4 (*Optional Redemption for Taxation or Other Reasons*), be redeemed on each Interest Payment Date following the end of the Further Sale Period and prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund) which shall be applied (a) on a *pari passu* and *pro rata* basis to (i) repay the Class A1 Notes and (ii) repay the Class D VFN until they are each repaid in full and thereafter be applied (b) on a *pari passu* and *pro rata* basis, to (i) repay the Class B1 VFN and, (ii) repay the Class B2 VFN until they are repaid in full.
- (b) With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Class A1 Notes and the Class D VFN (if funded), is 100,000 and, in the case of the Class B1 VFN, the Class B2 VFN and the Class C VFN, is 100. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A1 Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Security Trustee, the Paying Agents, the Agent Bank and (for so long as the Class A1 Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Class A1 Notes on any Interest Payment Date a notice to this effect will be given to the Noteholders.

7.3 *Optional Redemption of the Class A1 Notes in Full*

- (a) On giving not more than 60 nor less than 10 days' notice to the Class A1 Noteholders in accordance with Condition 15 (*Notice to Noteholders*), the Note Trustee and the Interest Rate Swap Providers, and provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;

- (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A1 Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A1 Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and
- (iii) the Optional Redemption Date is (i) any Interest Payment Date falling on (21 March 2015) (the **Expected Maturity Date**) or any Interest Payment Date thereafter (ii) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A1 Notes is equal to or less than 10 per cent. of the aggregate Principal Amount outstanding of the Class A1 Notes on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all of the Class A1 Notes on such Optional Redemption Date.

- (b) Any Class A1 Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A1 Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A1 Note up to but excluding the Optional Redemption Date.

7.4 Optional Redemption for Taxation or Other Reasons

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Class A1 Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Class A1 Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or
- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Fixed Interest Rate Swap Providers or the Floating Interest Rate Swap Provider would be required to deduct or withhold from any payment under the Fixed Interest Rate Swap Agreements or the Floating Interest Rate Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Class A1 Notes and the Trust Deed, provided that (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Class A1 Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on any written confirmation from each of the Rating Agencies that the then current ratings of the Class A1 Notes would not be adversely affected by such substitution) and (ii) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Fixed Interest Rate Swap Providers, the Floating Interest Rate Swap Provider and Class A1 Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A1 Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents, the Fixed Interest Rate Swap Providers or the Floating Interest Rate Swap Provider (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Class A1 Noteholders.

The Issuer may only redeem the Class A1 Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Class A1 Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A1 Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 Investor Redemption Option at Par minus Class A Principal Deficiency

- (a) If the Issuer does not redeem all of the Class A1 Notes in full on the Interest Payment Date falling on the Expected Maturity Date pursuant to Condition 7.3 then under the redemption arrangements referred to in this Condition 7.5 and subject to the terms of the Trust Deed, the Issuer agrees to redeem on the Investor Redemption Date or Deferred Investor Redemption Date (as applicable) at the Maturity Redemption Amount all of the outstanding Class A Notes held by a holder of such Class A Notes and in respect of which a valid Redemption Instruction has been delivered to the relevant clearing system (the **Relevant Class A Notes**), provided that no Event of Default has occurred which is continuing on the Investor Redemption Date and the requirement in Condition 7.5(b) is met.
- (b) The Issuer shall only be required to redeem the Relevant Class A Notes on the Investor Redemption Date or the Deferred Investor Redemption Date (as applicable), to the extent the Class D VFN Holder has funded its obligations under the Class D VFN in an amount equal to the Maturity Redemption Amount (the **Class D VFN Commitment**). If the Class D VFN holder fails to fund its obligations under the Class D VFN in an amount equal to the Maturity Redemption Amount in the manner and within the time limits set out in the Conditions, the Issuer will have no obligation to redeem the Relevant Class A Notes under this Condition 7.5. For the avoidance of doubt, any failure to redeem some or all, of the Relevant Class A Notes on the Investor Redemption Date or the Deferred Investor Redemption Date as a result of a failure by the Class D VFN Holder to fund its obligations under the Class D VFN shall not constitute an Event of Default.
- (c) The Issuer or the Cash Manager on its behalf will, on the Business Day following the Loss Calculation Date (i) give notice to the holder(s) of the Class A Notes in accordance with the

Conditions of such Notes setting out: (A) the Investor Redemption Date, (B) the Maturity Redemption Amount, and (C) the deadline and procedure for holder(s) of the Class A Notes to deliver a valid Redemption Instruction via Euroclear or Clearstream, Luxembourg (as applicable); and (ii) make a corresponding announcement via the London Stock Exchange and Bloomberg (a **Notice to Redeem**).

- (d) After the Expected Maturity Date a holder of any Class A Notes has the right (but not the obligation) to elect to have all or some of its Class A Notes redeemed by the Issuer on the Investor Redemption Date. A Holder of any Class A Note may exercise its right to have its Class A Notes redeemed by the Issuer on the Investor Redemption Date by giving an electronic transfer and blocking instruction (which shall be irrevocable) (a **Redemption Instruction**) via Euroclear or Clearstream, Luxembourg (as applicable) no later than 4:00 p.m. (London time) on the Business Day that is five Business Days prior to (but excluding) the Investor Redemption Date (or such earlier deadline set by any relevant intermediary or clearing system).
- (e) Subject to Condition 7.5(b) and as provided below, the Issuer shall arrange on the Investor Redemption Date for an amount equal to the aggregate Maturity Redemption Amount to be paid to the Principal Paying Agent for payment (via Euroclear and Clearstream, Luxembourg) to the accounts of the Holder(s) of any such Relevant Class A Notes that have delivered a Redemption Instruction in accordance with Condition 7.5(d). If the Issuer receives any amounts under or in connection with the Class D VFN other than on the Investor Redemption Date, it shall apply such amounts on the Interest Payment Date immediately following the Calculation Period in which such amounts were received (a) first on a *pari passu* and *pro rata* basis to redeem the Relevant Class A Notes until they are repaid in full and (b) thereafter, as Available Principal Receipts.
- (f) Subject to Condition 7.5(b), all or some of the holders' interests in the relevant Class A Notes specified in any valid Redemption Instruction in accordance with Condition 7.5(d) shall be redeemed at their Maturity Redemption Amount on the Investor Redemption Date.
- (g) Notwithstanding the provisions of this Condition 7.5, where Definitive Notes have been issued in respect of any Class A Notes or if Euroclear and Clearstream, Luxembourg cease to offer the relevant mechanisms to enable the redemption and settlement of the Class A Notes as provided for in this Condition 7.5, the Issuer will redeem the relevant Class A Notes on the later of (i) the relevant Investor Redemption Date and (ii) the date (the **Deferred Investor Redemption Date**) which is the earlier of (A) the date that is five Business Days after the date on which the Issuer, the Trustee and the Principal Paying Agent agree a procedure by which the redemption can occur and (B) 20 days after the Investor Redemption Date.
- (h) The Relevant Class A Notes will be redeemed at their Maturity Redemption Price and will be cancelled upon redemption and may not be resold or re-issued.
- (i) If, on or prior to the Investor Redemption Date, insolvency proceedings have been commenced against the Class D VFN Holder then the Class D VFN Holder covenants and agrees with the Issuer and the Note Trustee (on behalf of the Noteholders) to procure the payment to the Issuer of the amount as liquidated damages, equal to the maximum of (A) zero and (B) the Principal Amount Outstanding of the Class A Notes or (if insolvency proceedings are commenced after a Notice to Redeem has been issued) the Relevant Class A Notes on such date minus the firm clean bid quotation (for an amount equal to the Principal Amount Outstanding of the Class A Notes, or Relevant Class A Notes, as applicable) for the price which a third party would pay on a delivery verses payment basis to buy such Class A Notes or Relevant Class A Notes, as applicable assuming the investor exercises its right to redeem its Class A1 Notes in accordance with this Condition 7.5 had not occurred (a **Liquidated Damages Amount**). Such amount will be determined

as the arithmetic average of the price quoted to assume such obligations by three Independent Dealers (as defined below) selected by the Class D VFN Holder.

- (j) All monies representing the Liquidated Damages Amount received by the Issuer from the Seller or any receiver, liquidator, administrator or other similar official appointed in relation to the Seller following the commencement of any insolvency proceedings against the Seller, shall be paid by the Issuer to the Class A Noteholders or the Relevant Class A Noteholders (as the case may be), as soon as practicable on a *pro rata* and *pari passu* basis.

In this Condition 7.5, the term:

Independent Dealers means Barclays Bank, BNP Paribas, Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley, Royal Bank of Scotland, Bank of America, Citigroup and any affiliate of any of the foregoing, but in no event must any of the Independent Dealers be the Class D VFN Holder or any affiliate of the Class D VFN Holder and provided that such Independent Dealer has a minimum rating if rated by Moody's of at least an A2 senior unsecured debt rating, and if rated by Fitch a senior unsecured debt rating of at least A.

Investor Redemption Date means 21 May 2015 or if not a Business Day, the next following Business Day.

Loss Calculation Date means the day that is three Business Days after the Expected Maturity Date.

Maturity Redemption Amount means the Principal Amount Outstanding of the Relevant Class A Notes on the Expected Maturity Date (plus any interest accrued from and including the Expected Maturity Date to but excluding the Investor Redemption Date at the rate of interest applicable to the relevant Class A Notes) after taking into account any principal repayments made by the Issuer on or after the Expected Maturity Date to (and including) the Investor Redemption Date minus the Principal Deficiency Losses.

Principal Deficiency Losses means the outstanding balance on the Class A Principal Deficiency Ledger attributable *pro rata* and *pari passu* to the Relevant Class A Notes on the Loss Calculation Date.

7.6 Principal Amount Outstanding

The **Principal Amount Outstanding** of the Class A1 Notes on any date shall be their original principal amount of £2,500,000,000 less the aggregate amount of all principal payments in respect of such Class A1 Notes which have been made since the Closing Date.

The Class B1 VFN shall be, as at a particular day (the **Reference Date**), the total principal amount of all drawings under the Class B1 VFN on and since the Closing Date (but not repaid) less the aggregate amount of all principal payments in respect of such Class B1 VFN which have been made since the Closing Date and not later than the Reference Date.

The Class B2 VFN shall be, as at a Reference Date, the total principal amount of all drawings under the Class B2 VFN on and since the Closing Date (but not repaid) less the aggregate amount of all principal payments in respect of such Class B2 VFN which have been made since the Closing Date and not later than the Reference Date.

The Class C VFN shall be, as at a Reference Date, the total principal amount of all drawings under the Class C VFN on and since the Closing Date (but not repaid) less the aggregate amount of all principal payments in respect of such Class C VFN which have been made since the Closing Date and not later than such Reference Date.

The **Principal Amount Outstanding of the Class D VFN** on the date on which it is funded shall be the Principal Amount Outstanding of the Relevant Class A Notes on that date, prior to any redemption pursuant to Condition 7.5 and, on any subsequent date, shall be the Principal Amount Outstanding of the Class D VFN on the date on which it was funded less the aggregate amount of all principal payments in respect of such Class D VFN which have been made since the original date on which it was funded.

7.7 Notice of Redemption

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A1 Notes in Full*) or Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Class A1 Notes in Full*) or Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

7.8 No Purchase by the Issuer

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

7.9 Cancellation

All Notes (other than the VFN) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which any VFN is redeemed pursuant to Condition 7.2 (*Mandatory Redemption*) occurs, the VFN Registrar shall cancel the relevant VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the relevant VFN by an amount equal to such mandatory redemption.

Each VFN will be cancelled when redeemed in full after the VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4, the Issuer or, as the case may be, the relevant Paying Agent or the VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the VFN Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of

such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 Class A1 Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A1 Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A1 Noteholders shall, (subject, in each case, to being indemnified and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (a **Note Acceleration Notice**) to the Issuer and the relevant Fixed Interest Rate Swap Provider that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A1 Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A1 Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A1 Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or

- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

For the avoidance of doubt, the Co-op Consent Rights shall not restrict in any way the Class A1 Noteholder's right to designate an Event of Default or the Note Trustee's ability to serve a Note Acceleration Notice.

10.2 Class B VFN

This Condition 10.2 (*Class B VFN*) shall not apply as long as any Class A1 Note or Class D VFN is outstanding. Subject thereto, for so long as any Class B VFN is outstanding, the Note Trustee shall if so directed by the Class B VFN Holder, (subject, in each case, to being indemnified and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class B VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (*Class A1 Notes*) occurs with references, where applicable, to Class A1 Noteholders being read as Class B VFN Holder.

10.3 Class C VFN

This Condition 10.3 (*Class C VFN*) shall not apply as long as any Class A1 Note, Class D VFN or Class B VFN is outstanding. Subject thereto, for so long as any Class C VFN is outstanding, the Note Trustee shall if so directed by the Class C VFN Holder, (subject, in each case, to being indemnified and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class C VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (*Class A1 Notes*) occurs with references, where applicable, to Class A1 Noteholders being read as Class C VFN Holder.

10.4 Class D VFN

This Condition 10.4 (*Class D VFN*) shall not apply as long as any Class A1 Notes are outstanding. For so long as any Class D VFN is outstanding, the Note Trustee shall if so directed by the Class D VFN Holder (subject, in each case, to being indemnified and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class D VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (Class A1 Notes) occurs with references, where applicable, to Class A1 Noteholders being read as Class D VFN Holder.

10.5 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Conditions 10.1 (Class A1 Notes), Condition 10.2 (Class B VFN), Condition 10.3 (Class C VFN) and Condition 10.4 (Class D VFN) above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

11. ENFORCEMENT

11.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 12 and Schedule 3 of the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A1 Noteholders, and directed in writing by the Class B VFN Holder, the Class C VFN Holder or the Class D VFN Holder or so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A1 Notes; and
- (b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (i) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders and the Class D VFN Holder (and all persons ranking in priority to the Class A Noteholders and the Class D VFN Holder) (or (I) once all of the Class A Noteholders and the Class D VFN Holder have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto), (II) once all the Class A Noteholders, the Class D VFN Holder and the Class B VFN Holder have been repaid, to the Class C VFN Holder (and all persons ranking in priority thereto)), or (ii) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and Class D VFN Holder (or (I) once all of the Class A Noteholders and Class D VFN Holder have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto), (II) once all the Class A Noteholders, the Class D VFN Holder and the Class B VFN Holder have been repaid, to the Class C VFN Holder (and all persons ranking in priority thereto)). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

11.3 Limitations on Enforcement

No Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under the Deed of Charge (the **Charged Assets**). If:

- (i) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (ii) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (iii) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any), interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any), interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A1 Noteholders shall be binding on the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder irrespective of the effect upon them, subject to Condition 12.3 (*Quorum*) and shall be notified by the Issuer to Moody's.

12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of Class A1 Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes, or, at any adjourned meeting, one or more persons being or representing a Class A1 Noteholder of the relevant Class or Classes, whatever the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding held or represented by it or them.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of Class A1 Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or

interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding provided that, in respect of the matters set out in (i), (ii), (iii) and (iv) (the **Co-Op Consent Rights**), the Co-op will not have any voting rights in respect of any Class A1 Notes which it holds (unless it holds all of the Class A1 Notes), however, for so long as Co-op is Floating Interest Rate Swap Provider or holds any interest in any of the Class B VFN, Class C VFN and Class D VFN (if funded), the Co-op will have the right to direct the Note Trustee to (a) refrain from consenting to (following an Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) or (b) consent to (following an Extraordinary Resolution of the Class A1 Noteholders requesting any change or amendment) such matters, provided that if the Co-op fails to direct the Note Trustee within the time period set out in the Trust Deed, then, after the expiry of such period, the Note Trustee may sanction or consent to such matters without the consent of the Co-op. Any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at a meeting of the Class A1 Noteholders provided that any modification relating to or consequential on the issue of Further Class A1 Notes and/or New Class A Notes pursuant to Condition 16 shall not constitute a modification for which such higher quorum is required.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.4 Other than in respect of a Basic Terms Modification, the Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):

- (a) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is not materially prejudicial to the interests of the Noteholders of any Class; or
- (b) to any modification to these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error, provided that:
 - (i) in respect of any changes to any of the Transaction Documents which would have the effect of altering the amount, timing or priority of any payments due from the Issuer to the Fixed Interest Rate Swap Provider, the written consent of the Fixed Interest Rate Swap Provider is required; and
 - (ii) in respect of any changes to any of the Transaction Documents in respect of the issuance of Further Class A1 Notes or New Class A Notes, the consent of each of the Secured Creditors is required.

12.5 The Note Trustee may also, without the consent or sanction of the Noteholders or the other Secured Creditors, if it is of the opinion that such determination will not be materially prejudicial to the

interests of the Noteholders of any Class, waive or authorise any breach or proposed breach or determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (Events of Default) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

- 12.6** Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*).
- 12.7** Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.
- 12.8** In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders.

12.9 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee and the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A1 Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

12.10 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.11 **Extraordinary Resolution** means in respect of the Class A1 Noteholders:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the Notes which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

12.12 Details of any Extraordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to Moody's by the Note Trustee on behalf of the Issuer.

12.13 **Issuer Substitution Condition**

The Note Trustee may concur, with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations,

provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.13, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF NOTES

If any Class A1 Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 *Publication of Notice*

- (a) Subject to paragraph (c) below any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.

- (b) In respect of Class A1 Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.
- (c) Whilst the Class A Notes are represented by Global Note, notices to Noteholders (other than the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) In respect of the VFN, notices to Holders will be sent to them by the fax number or email address notified to the Issuer from time to time in writing.

15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

16. FURTHER CLASS A1 NOTES AND NEW CLASS A NOTES

16.1 Further Class A1 Notes and New Class A Notes

The Issuer may, without the consent of the Noteholders or the Note Trustee, raise further funds, on any date during the Further Sale Period by the creation and issue of (i) further notes (**Further Class A1 Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pro rata* and *pari passu* with the Class A1 Notes and/or (ii) new notes (**New Class A Notes**) which will rank *pro rata* and *pari passu* with the Class A1 Notes and which may have terms and conditions which differ from the Class A1 Notes and which do not form a single series with the Class A1 Notes and will form a new sub-class of Class A Notes provided that the following conditions (the **New Loan Conditions**) shall be confirmed by the Issuer in writing to the Note Trustee:

- (a) that the total value of the Further Class A1 Notes and/or any New Class A Notes to be issued on the same date is at least £100,000,000 (or equivalent);
- (b) that the aggregate value of all Further Class A1 Notes and New Class A Notes (including those already issued and those to be issued) does not exceed £500,000,000 (or equivalent);
- (c) any Further Class A1 Notes and/or New Class A Notes are assigned the same ratings as are then applicable to the Class A Notes and such Further Class A1 Notes to be consolidated and form a single series with the Class A1 Notes;
- (d) in connection with the issue of any New Class A Notes, such New Class A Notes will rank *pari passu* and *pro rata* with the Class A1 Notes and will have different terms and conditions from the Class A1 Notes and will not form a single series with the Class A1 Notes;

- (e) in connection with the issue of any Further Class A1 Notes such Further Class A1 Notes will rank *pari passu* and *pro rata* with the Class A1 Notes already issued and have the same terms and conditions to the Class A1 Notes (except in respect of the first Interest Period);
- (f) written confirmation has been received from each of the Rating Agencies that the ratings of the Class A1 Notes at that time outstanding will not be downgraded, withdrawn or qualified as a result of such issue of Further Class A1 Notes and/or New Class A Notes and no downgrade, withdrawal or qualification to the ratings of the outstanding Class A1 Notes has occurred since the Closing Date;
- (g) in connection with the issue of any New Class A Notes which are not denominated in sterling, appropriate currency hedging arrangements are entered into;
- (h) the Overcollateralisation Percentage at the issue date of the Further Class A1 Notes and/or New Class A Notes (taking into account such Further Class A1 Notes and/or New Class A Notes issued as at that issue date and the sale of any New Portfolio such issue date) is greater than or equal to the Overcollateralisation Percentage on the Closing Date;
- (i) the General Reserve Fund Percentage at the issue date of the Further Class A1 Notes and/or New Class A Notes (taking into account the sale of any New Portfolio on such issue date) is greater than or equal to the General Reserve Fund Percentage on the Closing Date and the General Reserve Fund is increased, if required, to the General Reserve Required Amount;
- (j) the Final Maturity Date and the Step-Down Date of the Further Class A1 Notes and/or New Class A Notes shall be the same as for the Class A1 Notes;
- (k) on or prior to the issue date of the Further Class A1 Notes and/or the New Class A Notes, the Yield Reserve Fund has been increased so that amounts standing to the credit of the Yield Reserve Fund are greater than or equal to the Yield Reserve Required Amount;
- (l) the Loans comprised in the New Portfolio are randomly selected from the Closing Date Portfolio and satisfy the Rating Agency Tests on the Sale Date;
- (m) there has been no failure which is continuing by the Seller of its obligations to repurchase any Loan pursuant to the Mortgage Sale Agreement at any time prior to the issuance of any Further Class A1 Notes and/or New Class A Notes;
- (n) no Event of Default has occurred and is continuing;
- (o) no Seller Insolvency Event has occurred;
- (p) an amount equal to the aggregate principal amount of such Further Class A1 Notes and/or New Class A Notes will be applied by the Issuer to fund a portion of the Initial Consideration of any New Portfolio from the Seller pursuant to the terms of the Mortgage Sale Agreement and all conditions for the purchase of any New Portfolio are met; and
- (q) application will be made, in respect of the Further Class A1 Notes and/or New Class A Notes for such notes to be admitted to trading on the London Stock Exchange's Regulated Market and listed on the official list of the UK Listing Authority or, if the Class A1 Notes then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Class A1 Notes then issued are then admitted to trading.

16.2 Supplemental Trust Deeds and Security

Any such Further Class A1 Notes or New Class A Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by the Deed of Charge. Any of the Transaction Documents may be amended as provided in Condition 3.1(d) (*Status and relationship between the Notes*) or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Class A1 Notes or New Class A Notes and the claims of any of the parties to any amended Transaction Document or any further Transaction Document may rank, *pari passu* with, or behind, any class or classes of the Notes, provided, in each case, that the condition set out in Condition 16.1 (*Further Class A1 Notes and New Class A Notes*) is satisfied, *mutatis mutandis*, including the consent of the Secured Creditors.

17. REPLACEMENT NOTES

- (a) If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes (**Replacement Notes**) to replace one or more classes of the Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Class A1 in Full*) and the conditions to the issue of Further Class A1 Notes as set out in Condition 16.1 are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes.
- (b) If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more classes of Replacement Notes to replace one or more classes of the Notes, each class of which shall have the same terms and conditions in all respects as the class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**)) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (*Optional Redemption of the Class A1 in Full*) and the conditions to the issue of Further Class A1 Notes as set out in Condition 16.1 are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes and provided further that, for the purposes of this Condition 17.2(b), where interest in respect of the Replacement Notes or the class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the class of Notes being replaced.

18. SUBORDINATION BY DEFERRAL

18.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Class B VFN, and/or the Class C VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest

(such interest, the **Deferred Interest**) in respect of the Class B VFN (unless there are no Class A1 Notes and Class D VFN then outstanding), and/or the Class C VFN (unless there are no Class A1 Notes, Class D VFN and Class B VFN then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class B VFN, and/or the Class C VFN, as appropriate).

18.2 General

Any amounts of Deferred Interest in respect of the Class B VFN, and/or Class C VFN shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 (*Interest*) applies) or on such earlier date as the Class B VFN, and/or the Class C VFN become due and repayable in full in accordance with these Conditions.

18.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B VFN, and/or the Class C VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the Class B VFN Holder, and/or the Class C VFN Holder, as appropriate, in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and accrued interest thereon shall become due and payable.

19. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE VFN AND ADJUSTING THE MAXIMUM VFN AMOUNT

19.1 Class B1 VFN

(a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer (i) that Further Class A1 Notes and/or New Class A Notes will be issued and a New Portfolio will be sold by the Seller to the Issuer and the corresponding Set-Off Overcollateralisation Amount and Non Set-Off Overcollateralisation Amount for such New Portfolio or (ii) that Set-Off Overcollateralisation Amount has increased, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class B1 VFN (the **Class B1 VFN Holder**) requesting that such Class B1 VFN Holder further fund the Class B1 VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

- (i) (A) in respect of (i) above, the aggregate amount of the increase in the Set-Off Overcollateralisation Amount and the Non Set-Off Overcollateralisation Amount (the aggregate of which is the consideration due in respect of the New Portfolio less the aggregate proceeds of the issuance of the Further Class A1 Notes and/or New Class A Notes); or
- (B) in respect of (ii) above, the amount of increase in the Set-Off Overcollateralisation Amount since the Closing Date; and
- (ii) the Maximum B1 VFN Amount less the current Principal Amount Outstanding of the Class B1 VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class B1 VFN on the following Interest Payment Date).

- (b) The Class B1 VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class B1 VFN Holder further fund the Class B1 VFN, shall notify the Issuer that the relevant Class B1 VFN Holder is prepared to make such further funding (the **Further B1 VFN Funding**), provided the relevant Class B1 VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 19.1(d) below.
- (c) The proceeds of the Further B1 VFN Funding shall be applied by the Issuer to (i) fund any necessary increase in the Set-Off Overcollateralisation Amount and/or (ii) fund the Set-Off Overcollateralisation Amount and the Non Set-Off Overcollateralisation Amount (in relation to the purchase of a New Portfolio).
- (d) The Class B1 VFN Holder shall advance the amount of such Further B1 VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
 - (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further B1 VFN Funding (or such lesser time as may be agreed by the Class B1 VFN Holder), the relevant Class B1 VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefore, receipt of which shall oblige the relevant Class B1 VFN Holder to accept the amount of the Further B1 VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further B1 VFN Funding, the aggregate amount plus all Further B1 VFN Funding made in respect of the relevant Class B1 VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class B1 VFN which has already been repaid) would not exceed the Maximum B1 VFN Amount;
 - (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further B1 VFN Funding; or
 - (B) the relevant Class B1 VFN Holder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further B1 VFN Funding available; and
 - (iv) the proposed date of such Further B1 VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

19.2 Class B2 VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that (i) a Flexible Drawing and/or Further Advance has been made, there are insufficient funds standing to the credit of the Retained Principal Receipts Ledger to fund the purchase of the Flexible Drawing Purchase Price and/or Further Advance Purchase Price and of the amount of the Flexible Drawing Purchase Price and/or Further Advance Purchase Price and/or such shortfall which is insufficiently funded by Retained Principal Receipts and/or (ii) a Rearrangement has been made and the Rearrangement Revenue Element of the of the purchase price of such Rearrangement is insufficiently funded by Revenue Receipts and/or (iii) the Seller, instead of repurchasing a Loan for breach of the Asset Conditions has elected to fund such Loan through the Class B2 VFN and/or (iv) the Pre-Funded Purchase Limit is required to be increased to collateralise the purchase of Further Advances or Flexible Drawings, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the

Class B2 VFN (the **Class B2 VFN Holder**) requesting that such Class B2 VFN Holder further funds the Class B2 VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

- (i)
 - (A) in respect of (i) above, the Flexible Drawing Purchase Price and/or the Further Advance Purchase Price less Retained Principal Amounts available to pay such Flexible Drawing Purchase Price and/or the Further Advance Purchase Price; or
 - (B) in respect of (ii) above, the Rearrangement Revenue Element less the amount of Revenue Receipts available to fund the same;
 - (C) in respect of (iii) above, the Current Balance of such Loan or Loan(s) that the Seller, instead of repurchasing for a breach of the Asset Conditions has elected to fund such Loan through the Class B2 VFN; and
 - (D) in respect of (iv) above, the Pre-Funded Purchase Limit is required to be increased to collateralise the purchase of Further Advances or Flexible Drawings; and
 - (ii) the Maximum B2 VFN Amount less the current Principal Amount Outstanding of the Class B2 VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class B2 VFN on the following Interest Payment Date).
- (b) The Class B2 VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class B2 VFN Holder further funds the Class B2 VFN, shall notify the Issuer that the relevant Class B2 VFN Holder is prepared to make such further funding (the **Further B2 VFN Funding**), provided the relevant Class B2 VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 19.2(d) below.
- (c) The proceeds of the Further B2 VFN Funding shall be applied by the Issuer towards (i) the Flexible Drawing Purchase Price and/or Further Advance Purchase Price, (ii) the Rearrangement Revenue Element of the purchase price of any Rearrangement (to the extent not funded by Revenue Receipts) and/or (iii) the funding of such Loan or Loan(s) that the Seller, instead of repurchasing for a breach of the Asset Conditions has elected to fund such Loan through the Class B2 VFN and/or (iv) crediting amounts to the Pre-Funded Purchase Ledger to increase the Pre-Funded Purchase Limit.
- (d) The Class B2 VFN Holder shall advance the amount of such Further B2 VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further B2 VFN Funding (or such lesser time as may be agreed by the Class B2 VFN Holder), the relevant Class B2 VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefore, receipt of which shall oblige the relevant Class B2 VFN Holder to accept the amount of the Further B2 VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further B2 VFN Funding, the aggregate amount plus all Further B2 VFN Funding made in respect of the relevant Class B2 VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class B2 VFN which has already been repaid) would not exceed the Maximum B2 VFN Amount;

- (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further B2 VFN Funding; or
 - (B) the relevant Class B2 VFN Holder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further B2 VFN Funding available; and
- (iv) the proposed date of such Further B2 VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

19.3 **Class C VFN**

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that (i) amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount, (ii) amounts standing to the Yield Reserve Fund are less than the Yield Reserve Required Amount, (iii) fees and expenses were incurred in connection with the issue of any Further Class A1 Notes and/or New Class A Notes, (iv) the Issuer Fee Amount is required to be paid under the relevant Fixed Interest Rate Swap Agreement, (v) the Co-op Collateral Amount has increased and (vi) any premiums payable under any Fixed Interest Rate Swap Agreement, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class C VFN (the **Class C VFN Holder**) requesting that such Class C VFN Holder further funds the Class C VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
 - (i)
 - (A) in respect of (i) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund;
 - (B) in respect of (ii) above, the Yield Reserve Required Amount less all amounts standing to the credit of the Yield Reserve Fund;
 - (C) in respect of (iii) above, the amount of initial fees and expenses incurred in connection with the issue of Further Class A1 Notes and/or New Class A Notes;
 - (D) in respect of (iv) above, the Issuer Fee Amount;
 - (E) in respect of (v) above, the amount of increase in the Co-op Collateral Amount since the Closing Date; or
 - (F) in respect of (vi) above, the amount of any premium payable under any Fixed Interest Rate Swap Agreement; and
 - (ii) the Maximum C VFN Amount less the current Principal Amount Outstanding of the Class C VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class C VFN on the following Interest Payment Date).
- (b) The Class C VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class C VFN Holder further funds the Class C VFN, shall notify the Issuer that the relevant Class C VFN Holder is prepared to make such further funding (the **Further C VFN Funding**), provided the relevant Class C VFN Holder shall not be obliged to make any such further subscription unless and until such time as the Issuer has complied with the requirements of Condition 18.3(d) below.

- (c) The proceeds of the Further C VFN Funding shall be applied by the Issuer to (i) fund the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount, (ii) fund the Yield Reserve Fund up to and including an amount equal to the Yield Reserve Required Amount, (iii) fund initial fees and expenses of the Issuer incurred in connection with the issue of any Further Class A1 Notes and/or New Class A Notes, (iv) fund the Issuer Fee Amount, (v) fund the increase in the Co-op Collateral Amount and (vi) any premiums payable under any Fixed Interest Rate Swap Agreement.
- (d) The Class C VFN Holder shall advance the amount of such Further C VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
 - (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further C VFN Funding (or such lesser time as may be agreed by the Class C VFN Holder), the relevant Class C VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefore, receipt of which shall oblige the relevant Class C VFN Holder to accept the amount of the Further C VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further C VFN Funding, the aggregate amount plus all Further C VFN Funding made in respect of the relevant Class C VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class C VFN which has already been repaid) would not exceed the Maximum C VFN Amount;
 - (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further C VFN Funding; or
 - (B) the relevant Class C VFN Holder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further C VFN Funding available; and
 - (iv) the proposed date of such Further C VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

19.4 CLASS D VFN

- (a) If the Issuer does not redeem the Class A1 Notes in full on the Expected Maturity Date (or within three Business Days thereof) then, subject to the terms of this Condition 19.4 and the Trust Deed, the Class D VFN Holder covenants and agrees with the Issuer to further fund the Class D VFN in an amount equal to the Maturity Redemption Amount (the **Class D VFN Commitment**) on or before the Investor Redemption Date.
- (b) By 10.00 am (London Time) three (3) Business Days prior to (but excluding) the Investor Redemption Date:
 - (i) the Issuer (or the Cash Manager on its behalf) shall confirm to the Class D VFN Holder in writing the Maturity Redemption Amount applicable on the Investor Redemption Date;
 - (ii) the Issuer (or the Cash Manager on its behalf) shall request that the Class D VFN Holder further fund the Class D VFN on the Investor Redemption Date; and

- (iii) the Issuer shall confirm to the Class D VFN Holder in writing whether any Event of Default has occurred which is continuing.
- (c) No later than 10:00 a.m. London time on the Investor Redemption Date on which the Issuer is required to purchase any Relevant Class A Notes, the Issuer shall direct the Class D VFN Holder to pay, or cause to be paid to, or at the direction of, the Principal Paying Agent, the Maturity Redemption Amount in respect of the Relevant Class A Notes in satisfaction of its obligation under Condition 19.4(a). The Principal Paying Agent will hold the Maturity Redemption Amount in the manner contemplated by the Agency Agreement.

In this Condition, the expression:

Notice of Increase means a notice, substantially in the form set out in the Trust Deed.

Maximum B1 VFN Amount for the Class B1 VFN shall be £900,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class B1 VFN Holder, and notified such amount to the Note Trustee.

Maximum B2 VFN Amount for the Class B2 VFN shall be £290,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class B2 VFN Holder, and notified such amount to the Note Trustee.

Maximum C VFN Amount for the Class C VFN shall be £290,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class C VFN Holder, and notified such amount to the Note Trustee.

Maximum D VFN Amount for the Class D VFN shall be equal to 1.1 multiplied by the Principal Amount Outstanding of the Class A Notes as at the Closing Date or such other amount as may be agreed from time to time by the Issuer and the Class D VFN Holder, such amount to be notified to the Note Trustee. The Maximum D VFN Amount will be increased by the Issuer to 1.1 times the total Principal Amount Outstanding of the Class A Notes of any Further Class A1 Notes or New Class A1 Notes are issued.

20. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Class A1 Notes principally to pay a portion the Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Closing Date.

The Issuer will use the gross proceeds of the issue of the Class B1 VFN to (i) fund the Set-Off Overcollateralisation Amount on the Closing Date, (ii) fund the Non Set-Off Overcollateralisation Amount on the Closing Date, (iii) after the Closing Date, fund any increase in the Set-Off Overcollateralisation Amount, such proceeds to be applied as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and (iv) after the Closing Date, fund any increase in the Set-Off Overcollateralisation Amount and Non Set-Off Overcollateralisation Amount due to the issuance of Further Class A1 Notes and/or New Class A Notes.

The Issuer will use the gross proceeds of the Class B2 VFN to fund (i) any Further Advance Purchase Price or Flexible Drawings Purchase Price on the relevant Advance Date or Drawing Date (as the case may be) (to the extent not funded by Retained Principal Receipts), (ii) the Rearrangement Revenue Element of the of the purchase price of any Rearrangement (to the extent not funded by Revenue Receipts), (iii) to fund any Loan in breach of the Asset Conditions, (iv) the Pre-Funded Purchase Limit and (v) on the Closing Date, the Retained Principal Required Amount.

On the Closing Date, the Issuer will use the gross proceeds of the Class C VFN to (i) establish the General Reserve Fund, (ii) establish the Yield Reserve Fund, (iii) fund initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date and (iv) fund the Co-op Collateral Amount.

After the Closing Date, the Issuer will use the proceeds of the Class C VFN to (i) increase amounts standing to the credit of the General Reserve Fund to the General Reserve Required Amount in connection with the purchase of New Portfolios during the Further Sale Period, (ii) increase the Yield Reserve Fund to the Yield Reserve Required Amount during the Further Sale Period in connection with the issuance of Further Class A1 Notes and/or New Class A Notes, (iii) increase the General Reserve Fund up to the General Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances, Flexible Drawings and/or Product Switches, (iv) increase the Yield Reserve Fund to the Yield Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances, Flexible Drawings and/or Product Switches, (v) fund initial expenses of the Issuer incurred in connection with the issue of any Further Class A1 Notes and/or New Class A Notes, (vi) fund the Issuer Fee Amount (vii) fund any increase in the Co-op Collateral Amount and (viii) fund any premiums payable under any Fixed Interest Rate Swap Agreement.

If required, the Issuer will use the proceeds of the issue of the Class D VFN to redeem any Class A1 Notes which are being redeemed at the option of the Class A1 Noteholders pursuant to Condition 7.5 (*Investor Redemption Option At Par Minus Class A Principal Deficiency*) and any excess proceeds not used to redeem the Class A1 Notes shall be applied as Available Principal Receipts.

FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fees	0.08 per cent. each year (inclusive of VAT) on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Interest Payment Date	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash management fee	0.01 per cent. each year (inclusive of VAT) on the Principal Amount Outstanding of the Sterling equivalent of the Notes as determined on the preceding Interest Payment Date up to a maximum fee of £100,000 per year	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	estimated at £50,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

VAT is currently chargeable at 17.5 per cent.

EXPENSE OF THE ADMISSION TO TRADING

The estimated total expenses related to the admission to trading of the Notes will be £2,975 (exclusive of VAT).

RATINGS

The Class A1 Notes, on issue, are expected to be assigned the following ratings by Fitch and Moody's. The Class B VFN, Class C VFN and the Class D VFN are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Fixed Interest Rate Swap Providers, the Swap Collateral Account Bank (if the Swap Collateral Account Bank Agreement is entered into) and/or the BNY Mellon Account Bank in the future) so warrant.

Class of Notes	Fitch	Moody's
Class A1 Notes	AAA	Aaa
Class B1 VFN	Not rated	Not rated
Class B2 VFN	Not rated	Not rated
Class C VFN	Not rated	Not rated
Class D VFN	Not rated	Not rated

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 14 January 2010 (registered number 7125906) as a public limited company under the Companies Act 1985 (as amended). The registered office of the Issuer is 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE. The telephone number of the Issuer's registered office is +44 (0)20 7800 4100. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, all of which are fully-paid up and all of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The principal objects of the Issuer are set out in its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, intends to make a notification under the Data Protection Act 1998 and is in the process of applying for a consumer credit licence under the CCA. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2010.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Retained Principal Receipts Ledger, the General Reserve Ledger, the Yield Reserve Ledger, the Issuer Profit Ledger, the Liquidity Reserve Ledger and the Pre-Funded Purchase Ledger).

Directors

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

Name	Business Address	Business Occupation
Capita Trust Corporate Limited	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Director
Capita Trust Corporate Services Limited	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Director
Susan Lawrence	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director

The directors of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited and their principal activities are as follows:

Name	Business Address	Principal Activities
Susan Lawrence	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Sean Martin	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Colin Benford	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
David Baker	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Beverley Douglas	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Howard Montagu	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director

The company secretary of the Issuer is Capita Trust Secretaries Limited whose principal office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 14 January 2010 (registered number 7125963) as a private limited company under the Companies Act 1985 (as amended). The registered office of Holdings is 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. Capita Trust Nominees No. 1 Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

The principal objects of Holdings are set out in its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company.

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

Directors

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

Name	Business Address	Business Occupation
Capita Trust Corporate Limited	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Director
Capita Trust Corporate Services Limited	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Director
Susan Lawrence	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director

The directors of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited and their respective occupations are:

Name	Business Address	Principal Activities
Susan Lawrence	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Sean Martin	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Colin Benford	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director

Name	Business Address	Principal Activities
David Baker	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Beverley Douglas	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director
Howard Montagu	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Director

The company secretary of Holdings is Capita Trust Secretaries Limited whose principal office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE.

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2010.

Holdings has no employees.

THE CO-OPERATIVE BANK P.L.C.

History & Development

The Co-operative Bank p.l.c.'s (the **Bank**) origins date back to 1872, originally being formed as the Banking Department of the Co-operative Wholesale Society Limited (**CWS**), which changed its name on 3 December 2007 to Co-operative Group Limited following the merger with United Co-operatives on 29 July 2007 (the **Co-operative Group**).

In October 1970, the Co-operative Bank Limited was incorporated and, following the passing of the Co-operative Bank Act 1971, the business formerly carried on by the Banking Department of the Co-operative Group was transferred to and vested in the Bank in July 1971. This was followed, in June 1973, by the transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Bank.

The Bank obtained clearing bank status in 1975 and was granted recognised status by the Bank of England under the terms of the Banking Act 1979. In 1981, the Bank re-registered under the Companies Act 1980 as a public company and was re-registered on 10 January 1993 with its present name. On 19 June 2002, the Co-operative Group transferred its entire shareholding in the Bank to Co-operative Financial Services Limited, a newly incorporated Industrial and Provident Society. The ultimate parent organisation remains the Co-operative Group.

The Co-operative Group operates a range of businesses in food and non-food retailing, farming, funerals, travel, and pharmacy. It also provides buying, marketing, distribution and other services for the co-operative movement.

Co-operative Financial Services Limited (**CFS**) is incorporated under the Industrial and Provident Societies Acts of 1965 to 2003 and is also the parent of the Bank's primary sister organisations – Cooperative Insurance Society Limited (**CIS**) and CIS General Insurance Limited (**CISGIL**). With effect from 15 January 2006, the Executive Management of the Boards of CFS, CIS, CISGIL and the Co-operative Bank have been reorganised under a single Executive Management Framework. At this date all the Directors of the CFS Board were appointed to the Bank Board ensuring a common understanding of objectives.

The Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP, telephone number: +44 161 832 3456, fax number: +44 161 829 4475. The registered number of the Bank is 990937.

The short term senior unsecured and unguaranteed obligations of the Bank are currently rated P-1 by Moody's and F2 by Fitch and the long-term senior, unsecured and unguaranteed obligations of the Bank are currently rated A2 by Moody's and A- by Fitch.

Debt securities issued by the Bank are listed on the London Stock Exchange. For so long as such debt securities are listed and in connection with such listing, copies of the Bank's financial statements are available at <http://www.londonstockexchange.com> <price and news> <market news> <RNS> <Co-operative Bank PLC>.

Merger with Britannia Building Society

On 21 January 2009, the boards of Britannia Building Society and Co-operative Financial Services Limited jointly announced their proposal to merge. On 29 April 2009, Britannia Building Society shareholding and borrowing members voted in favour of the merger. The merger became effective on 1 August 2009 through a

transfer of the business, assets and liabilities of the Britannia Building Society to the Bank under section 97 of the Building Societies Act 1986 and Britannia Building Society ceased to exist as a legal entity.

Prior to the merger, Britannia Building Society was the United Kingdom's second largest building society in terms of total consolidated assets. At the date of this Prospectus, the retail residential lending and savings franchise transferred from Britannia Building Society (the **Britannia Businesses**) and the pre-merger businesses of the Bank (the **Co-operative Bank Businesses**), continue to trade as separate businesses under the "Britannia", "Co-operative Bank" and "Smile" brand names respectively. It is expected that the Britannia Businesses will progressively integrate with the Co-operative Bank Businesses in an integration process that will take up to three years.

Business & Principal Activities

The Bank is an established U.K. settlement bank with a diversified range of retail banking activities, substantially servicing U.K. customers. It has an established presence in its chosen segments of the U.K. market and has a continuing programme centred upon mutuality to differentiate itself from the competition and to improve customer loyalty, through its member owned, customer led, and ethically guided principles.

Retail banking services are provided to the personal sector, the small to medium sized corporate and commercial sectors along with public sector and charitable institutions. Financial advice and specialised financial services are also provided to individuals, corporate customers and institutions by the Bank's Treasury and Asset Based Finance operations. The Bank is a major supplier of financial services to local authorities and to the Co-operative retail sector.

Operations

The Bank operates in the following segments:

- current accounts;
- retail savings;
- residential mortgage lending;
- intermediary mortgage lending;
- personal unsecured lending;
- credit cards;
- internet banking (via Smile the UK's first full internet bank);
- commercial lending (including commercial property lending and lending to registered social landlords); and
- wholesale operations.

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

THE NOTE TRUSTEE AND SECURITY TRUSTEE

Capita Trust Company Limited (registered number 00239726) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

Capita Trust Company Limited registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Capita Trust Company Limited principal office is at 7th floor, Phoenix House, 18 King William Street, London EC4N 7HE.

Capita Trust Company Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. Capita Trust Company Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent charge in relation to the Charged Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, The Co-op and/or any of their respective subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, The Co-op and/or any of their respective subsidiaries and affiliates and any other person whatsoever, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

THE CORPORATE SERVICES PROVIDER

Capita Trust Corporate Limited (registered number 05322525), having its principal address at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Capita Trust Corporate Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

J.P. MORGAN SECURITIES LTD.

J.P. Morgan Securities Ltd. (the **Company**) (or its affiliates), in its capacity as purchaser of £1,000,000,000 of the Class A1 Notes and as securities lending counterparty with respect to the Class A1 Notes, may exercise voting rights in respect of the Notes held by it in a manner that may be prejudicial to other Noteholders.

The Company is incorporated in England and Wales and is authorised and regulated by the Financial Services Authority. The Company's immediate parent undertaking is J.P. Morgan Chase International Holdings Limited, incorporated in England and Wales. The Company's ultimate parent undertaking is JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The parent undertaking of the smallest group in which the Company's results are consolidated is J.P. Morgan Capital Holdings Limited, incorporated in England and Wales.

The Company's primary activities are underwriting Eurobonds, equities and other securities, arranging private placements of debt and convertible securities, trading in debt and equity securities, swaps and derivative marketing, providing investment banking advisory and primary brokerage and clearing services for exchange traded futures and options contracts. The Company has branches in Frankfurt, Paris, Milan, Zurich, Madrid and Stockholm and is a member of many futures and equity exchanges including the London Stock Exchange.

The obligations of the Company under the JPMSL Fixed Interest Rate Swap Agreements are guaranteed by JPMorgan Chase Bank, National Association pursuant to a guarantee dated on or about the date of this Prospectus.

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

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (**JPMorgan Chase Bank**) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase Bank offers 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 2009, JPMorgan Chase Bank, had total assets of \$1,628 billion, total net loans of \$531.2 billion, total deposits of \$1,024 billion, and total stockholder's equity of \$128.3 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the **Call Report**) as at 31 December 2009, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended 31 December 2009, of JPMorgan Chase & Co., the 2008 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the **SEC**) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Prospectus 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 or at the SEC's website at www.sec.gov.

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

HSBC BANK PLC

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 8,500 offices in 86 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; the Middle East including Africa; North America and Latin America. Its total assets at 30 June 2009 were US\$2,422 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are currently rated P-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa2 by Moody's, AA by S&P and AA by Fitch.

HSBC is regulated pursuant to the FSMA and is an authorised institution supervised by the Financial Services Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

HSBC Bank plc has securities admitted to listing on the Official List of the Financial Services Authority of the United Kingdom (in its capacity as competent authority for the purposes of Part VI of the FSMA) and to trading on the London Stock Exchange plc (which is a regulated market for the purposes of Directive 2004/39/EC), on the Luxembourg Stock Exchange and on the main segment of the SWX Swiss Exchange.

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

THE BANK OF NEW YORK MELLON

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, 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 having a branch registered in England and Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL.

The Bank of New York Mellon's corporate trust business services \$12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralised debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$23 trillion in assets under custody and administration and more than \$1.1 trillion in assets under management. Additional information is available at bnymellon.com.

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

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Seller and the former Britannia Building Society and comprised in the Closing Date Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller will select the Loans for transfer into the Initial Portfolio using a system containing defined data on each of the qualifying loans in the Closing Date Portfolio. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see "*Mortgage Sale Agreement – Warranties and Repurchase by the Seller*"). This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected at random until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date or Sale Date, as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the Issuer as part of the Initial Portfolio as at the Closing Date.

The Seller may sell New Loans and their Related Security to the Issuer from time to time during the Further Sale Period. Any Loans sold to the Seller during the Further Sale Period will be selected from the Closing Date Portfolio. In addition, the Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Switch, if this occurs the loan which the original Loan is switched into may have mortgage terms different from those Loans forming the Closing Date Portfolio (including characteristics that are not currently being offered to Borrowers or that have not yet been developed) and may have been originated according to different Lending Criteria. All New Loans and Product Switches will be required to comply with the Loan Warranties set out in the Mortgage Sale Agreement on their Sale Date or Switch Date (as applicable). The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date, Switch Date and on each Sale Date are described in this Prospectus. See "*Summary of Key Transaction Documents – Mortgage Sale Agreement*", above.

Characteristics of the Loans

Repayment terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees. Additional features such as payment holidays (temporary suspension of monthly payments) and the ability to make underpayments are also available to borrowers under certain circumstances on selected products. Overpayments are allowed on all products, within certain limits. See "*– Overpayments and underpayments*" and "*– Payment holidays*" below.

Loans are typically repayable on one of the following bases:

- **Repayment Loan:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid;

- **Interest-only Loan:** the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum; and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "*The Loans– Early repayment charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account,
- standing order from a bank or building society account, and
- payments made at Britannia branches.

Interest payments and interest rate setting

The Seller has responded to the competitive mortgage market by developing a range of products that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **Standard Variable Rate** or **SVR:** the Seller's current discretionary rate is SVR at 4.24 per cent. The Standard Variable Mortgage Rate is currently only available to customers at the end of their mortgage product and for further advances.
- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually for 2, 3, 5 or 10 years.
- **Tracker Loans** are loans which are subject to a variable interest rate that tracks the Bank of England Base Rate plus or minus a margin, either for an initial fixed period or for the life of the loan. The percentage margin may be fixed for the entire tracker rate period or it may vary.

The Seller Standard Variable Rate and some fixed rates and tracker rates may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 10 years, at the commencement of the Loan (the **Product Period**). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to, or remain at, a Discretionary Rate currently SVR. . The Seller may introduce other Discretionary Rates in the future. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See "*The Loans – Early repayment charges*" below.

All loans originated by Britannia since 2002 have featured interest calculated on a daily basis rather than on an annual basis. Any payment by the Borrower will immediately reduce the Borrower's balance on which interest will be calculated the following day. Prior to this date, all Britannia branded mortgage products had carried interest calculated on an annual basis. Borrowers with existing loans on which interest is calculated on an annual basis are able to change and have their interest calculated on a daily basis, subject to the terms and conditions of their existing loan and to the borrower entering into an agreement. If a Borrower with a loan on which annual interest is calculated wishes to take a further advance, the interest on the existing loan must be switched to a daily interest basis. Britannia does not normally permit a mix of daily and annual interest calculation on loans.

Except in limited circumstances as set out in "*The Servicing Agreement – Undertakings by the Servicer*", the Servicer is responsible for setting the Discretionary Rates on the Loans in the Portfolio as well as on any New Loans that are sold to the Issuer. Under the August 2009 (post-merger) version of the Britannia Mortgages Mortgage Offer – General Conditions (the **2009 Conditions**) the Seller has the right to vary the interest rate for a number of specified reasons:

- (a) to take account, in a proportionate manner, of any changes in the Bank of England repo rate, commonly known as the Bank Base Rate (or in the nearest equivalent rate set by the Bank of England or any body, which may, in the future, take over the responsibility for interest rate setting from the Bank of England) and/or changes in LIBOR (London Inter-Bank Offered Rate) or any other market rates which influence the cost of funds to us);
- (b) to take account, in a proportionate matter, of any changes in relevant laws, codes of practice, regulations or to take account of any decision, requirement or recommendation by a court, ombudsman or regulator applicable to the conduct of our business;
- (c) to take account, in a proportionate manner, of any increase or reduction in the risk incurred by us if there has been an unauthorised letting or a change in the use of the Property;
- (d) in the event of Britannia taking over, being taken over by, or merging with, another financial services provider, to harmonise in a reasonable manner the interest rates being paid by their respective borrowers;
- (e) to enable us to maintain the competitiveness of interest rates we pay to our investors or the providers of funds to us, whilst having regard to the interests of our borrowers, in the interests of our business as a whole;
- (f) to act in a proportionate manner to maintain the financial strength of Britannia in the interests of all our customers;
- (g) to take account, in a proportionate manner, of any change in costs reasonably incurred by us in operating our mortgage business; or
- (h) to take account, in a proportionate manner, of any reasonable change or expected reasonable change in our assessment of the risk, or the value or cost of that risk, in relation to your Mortgage, any other similar mortgages or the whole or any part of our mortgage business.

These reasons may relate to circumstances existing at the time or which the Seller reasonably expects to apply in the near future.

If the Seller wishes to increase the interest rate applicable to a Discretionary Rate Loan or a Discounted Discretionary Rate Loan it must first give notice to the Borrower of the increase.

During the course of its mortgage origination business, the Seller has originated mortgage loans under a number of standard conditions, however, the 2009 Conditions represent the most recent origination policy of the Seller relating to the Loans comprised in the Closing Date Portfolio and dictate the specified reasons to change the interest rate.

If applicable, the Servicer will also be responsible for setting any variable margins in respect of new Tracker Loans that are sold to the Issuer in the future. However, in maintaining, determining or setting these variable margins, except in the limited circumstances as set out in "*The Servicing Agreement – Undertakings by the Servicer*", the Servicer has undertaken to maintain, determine or set the variable margins at a level which is not higher than the variable margins set in accordance with the Seller's Policy from time to time.

Early Repayment Charges

The Borrower may be required to pay an early repayment charge (an **Early Repayment Charge**) if certain events occur during the predetermined Product Period and the loan agreement states that the Borrower is liable for Early Repayment Charges and the Seller has not waived or revised its policy with regards the payment of Early Repayment Charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Seller and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled monthly payments, is repaid before the end of the Product Period, the Borrower will be liable to pay to the Seller a repayment fee based on the amount repaid or switched to another product. If the Borrower has more than one product attached to the mortgage, the Borrower may choose under which product the principal should be allocated.

On loans applied for before 11 December 2009, the Seller currently permits Borrowers to repay up to £499.99 per month per product without incurring an Early Repayment Charge. If the mortgage is made up of more than one product, each is treated separately so that if one or more of them has an Early Repayment Charge, the Borrower can repay up to £499.99 each month on each. The Seller currently has a policy not to charge the Early Repayment Charge in certain circumstances, for example if the repayment is due to the death of the Borrower.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

Some mortgage products do not include any provisions for the payment of an Early Repayment Charge by the Borrower.

Overpayments and underpayments

Overpayments – Overpayments are allowed on all products, although an Early Repayment Charge may be payable (as described in 'Early Repayment Charges' above). Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

Borrowers with interest calculated annually who make an Overpayment may choose whether such Overpayment is to be treated as a repayment of principal or as a credit to be carried forward against future scheduled instalments. If the Borrower elects for such Overpayment to be applied as a principal repayment then interest on the remaining principal outstanding balance of the loan is recalculated as from the date of receipt of such repayment. For customers on annual interest, the required monthly instalments will not be altered until the next following year end. If the customer elects to apply such Overpayment towards scheduled instalments, interest is not recalculated. In cases where a customer does not specify how any repayment they may make is to be applied, Overpayments of an amount of less than £500 are generally treated as credits towards scheduled instalments. If Borrowers with daily calculations of interest pay more

than the scheduled monthly payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Underpayments and Payment Holidays – some products have an underpayment and payment holiday feature where the Borrower can apply to defer one or more monthly payments or apply to underpay. Currently, a maximum of six monthly payment holidays/underpayments may be taken/made in any period of twelve consecutive months, and a maximum of eighteen monthly Payment Holidays/Underpayments may be taken/made through the whole term of the mortgage. Approval of such application and the determination of such period are at the discretion of the Seller who makes such a decision or approval based on, amongst other things the LTV and agreed Borrowing Limit.

Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage the Borrower will need to make a further advance application and the Seller will use the lending criteria applicable to further advances at that time in determining whether to approve the application. The original mortgage deed or standard security is expressed to cover all amounts due under the relevant loan which would cover any further advances.

Some Loans in the Initial Portfolio may have Further Advances made on them prior to their being sold to the Issuer on the Closing Date and New Loans added to the Portfolio in the future may have had Further Advances made on them prior to their being sold to the Issuer on the applicable Sale Date.

If a Loan is subject to a Further Advance after being sold to the Issuer, the Seller will be required to repurchase the Loan and its Related Security from the Issuer to the extent that the Issuer does not have sufficient funds from the Retained Principal Receipts Ledger or from a drawing under the Class B2 VFN to fund the purchase of such Further Advance.

Product Switches

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. In limited circumstances, if a Loan is subject to a Product Switch as a result of a variation, then the Seller may be required to repurchase the Loan or Loans and their Related Security from the Issuer.

Origination channels

The Seller currently derives its mortgage-lending business through the Britannia branch networks throughout the United Kingdom, and from internet and telephone sales. For a breakdown of this in the Initial Portfolio see "*Characteristics of the Portfolio*", which specifies the percentage of Loans in the Initial Portfolio originated directly by the Co-op under the Britannia brand (or originated by Britannia Building society and subsequently transferred to the Co-op pursuant to the Merger) (including through the branch network and telesales), and those originated through intermediaries.

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed by the channel staff and the Servicer's New Business Department. The details of the application are entered into the Servicer's relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed conveyancer to investigate title and issue a report on the same to the Seller. Once a satisfactory certificate of title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the FSMA, MCOB (and other FSA rules) and the Financial Ombudsman Service, which is a statutory scheme under the FSMA.

Underwriting

The underwriting approach of the Seller has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller currently adopts a system based approach to lending assessment. This assessment is made with reference to a number of components including:

- (a) credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data; and
- (b) affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, currently, but not in all the sample, credit commitments and assumed living expenses, currently, but not in all the sample, which vary according to income, number of applicants and dependants.

The lending system is supported by a structure, with authority limits varying according to seniority. The Delegated Lending Mandate (**DLM**) structure is split between those within the new lending area and those in Banking Risk. New Lending Advisors DLM can only approve system accept cases. Override of system decline decisions is limited to Underwriters in New Lending Quality and Risk and staff in Banking Risk. All levels of DLM may downward override "accept" and "refer" decisions to a "decline" decision.

Mortgage underwriting decisions, are subject to internal monitoring by the Seller, using a risk-based model, in order to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

Lending Criteria

On the Closing Date, the Seller will represent that each Loan being sold to the Issuer was originated according to the lending criteria of the Seller at the time the Loan was offered (the **Lending Criteria**), in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender. Policy and Risk appetite varies in line with a number of internal and external factors in particular expectations of the housing market and wider economy and the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to any Loans which are the subject of a Product Switch or a Further Advance may not be the same as those currently used.

This document reflects the lending criteria applied for originations between 2001 and 2009. The Seller's current policy reflects the uncertainty of the economy and in certain areas is more restrictive than the historic lending criteria.

Details of Applicant

All Borrowers must be aged 18 or over and historically the mortgage term must have ended before the Borrower reached 75 (if the LTV of the loan was above 75 per cent.) or 85 (if the LTV of the loan was below 75 per cent.). Under the Seller's current Lending Criteria, the maximum age of the Borrower at the expiry of the mortgage term is 75 years. In addition, since 2006 the Seller required details of projected retirement age in considering any application. If the Seller determines the Borrower will not be able to afford the mortgage into retirement, the application will be declined.

Maximum number of applicants on any one residential mortgage application is 4.

Under the Seller's current Lending Criteria, to be accepted for a mortgage, generally all applicants must be UK or EU nationals or non-UK/EU nationals who have been resident in the UK for the last 12 months and

have a permanent right to reside in the UK. For earlier originations borrowers had to have a legal right to reside in the UK but the length of that right varied.

Credit History

Credit search

A credit search is carried out in respect of all new applicants (and in relation to further advances to existing borrowers) with a bureau of the Seller's choice at a level of the Seller's choice.

With certain limited exceptions approved by the Seller acting as a prudent mortgage lender (including loans to existing borrowers and investors), all applications must pass the Seller's credit score test which will be carried out at the same time as the credit search. Applications may be declined where an adverse credit history is revealed (for example, certain unsatisfied or material (in quantum) county court judgements and bankruptcy notices).

Mortgage

Subject to the results of the Seller's credit score test (where applied) and subject to certain exceptions applied by the Seller acting as a prudent mortgage lender in accordance with the Seller's practice and procedures from time to time, the Seller would seek and review satisfactory bank statements and references from existing or previous lenders.

Income and Affordability

Minimum income

There is generally no minimum income limit for an applicant, however the Seller will historically have to varying degrees taken account of the affordability of the loan. Currently an applicant's income is subject to the Seller's affordability index model. The current model uses a combination of the total gross annual income, non mortgage commitments, outgoings and subsistence (day to day expenses) to calculate affordability. The result is then used to ascertain whether or not the loan is affordable. Manual affordability calculations will be used by underwriters on cases referred for further assessment.

Employed applicants

Where an applicant is in PAYE employment and the income of that applicant is required to support the loan, the Seller generally requires the applicant to be in a permanent position and not under notice of termination. However, fixed term/temporary workers are accepted where the applicant meets certain minimum requirements. The Seller requires with certain limited exceptions either the employer's reference or pay slips as evidence of income.

Self Employed applicants

The applicant must have been trading for at least 3 years or, where a customer has only been trading for 2 years the maximum LTV of the loan will be limited to 60 per cent. but may be increased to 75 per cent. at the underwriters discretion. Historically, the Seller has also accepted self employed applicants with one year's worth of accounts with a maximum LTV of between 60% and 70% and applicants with two years' worth of accounts plus projections requesting up to 75% LTV. The Seller requires with certain limited exceptions evidence of income (for example, accounts, tax assessments or other suitable evidence).

Income Multipliers

In conjunction with the affordability assessment, the Seller will apply the following current income multipliers (subject to certain exceptions in accordance with the practice of a reasonable, prudent mortgage lender).

Applicant	Multiplier
Single Applicant	4.25 (or prior to 2006, 3.5) multiplied by the applicant's gross allowable income of an applicant
Joint Applicants	The higher of :- <ul style="list-style-type: none"> • 4.25 (or prior to 2006, 3.5) multiplied by the gross allowable income of the higher earning applicant plus the allowable income of the lower earning applicant, or • 3.75 multiplied by combined gross allowable incomes of each applicant (or prior to 2006 2.75 multiplied by the combined allowable incomes of each applicant or in 2005, where the combined allowable income of the joint applicants was more than £20,000, 3 multiplied by the combined allowable incomes of each applicant)
3 or 4 applicants	2 multiplied by combined gross allowable income

For high quality cases, enhanced multipliers may be applied in accordance with the practice of a reasonable, prudent mortgage lender..

Allowable Income

In calculating income multipliers (not affordability) for employed customers the Seller will generally use:

- 100% of basic income; plus
- 100% of guaranteed overtime and bonus; plus
- 50% of regular overtime and bonus; plus
- 75% of income from interest or UK listed company dividends.

This will be determined in accordance with the practice of a reasonable, prudent mortgage lender) from time to time.

In calculating allowable income for self employed customers, the Seller will generally use the last years net profit or the last years salary plus dividends. Again, this will be determined in accordance with the practice of a prudent mortgage lender from time to time.

The Seller may take into account the other income of an applicant or applicants. Other acceptable income may include:-

- Pension income from UK or overseas provided this can be established from a reliable source;
- Disability Living Allowance or Incapacity Benefit confirmed by the DWP;
- Working Tax credits;
- Investment or Dividend income (by individual consideration) evidenced by an accountant's letter confirming a continuous flow of income;
- Maintenance by CSA order or Court Order;

- Income from trust funds (by individual consideration);
- Rental Income (by individual consideration); and
- Income resulting from commission, piecework, and secondary permanent jobs.

Term of loan

The minimum term of a loan is generally 5 years for new residential mortgages and home owner loans (although prior to December 2009, the minimum term for home owner loans was 2 years). The maximum term for residential loans is generally 40 years (but was 30 years between 2001 and 2005). A repayment period for a Further Advance that would extend beyond the term of the original advance may also be accepted at the Seller's discretion. However, Further Advances may only be sold to the Issuer subject to the Loan Warranties to be given on the relevant Advance Date.

Loan to Value (or LTV) Ratio

New loans

The highest loan to value limits for new residential loans during the period from 2001 to December 2009 were as follows:

Property Value	Maximum LTV
Up to £350,000	95%
£350,001 - £550,000	90%
£550,001 - £750,000	85%
£750,001 - £1,000,000	75%
£1,000,000 - £1,500,000	60%
>£1,500,000	By negotiation to a maximum of 60%

The loan to value limits stated above are exclusive of fees. Customers may be able to add product/arrangement/CHAPS fees to the loan.

The current loan to value limits for new residential loans are as follows:

Property Value	Maximum LTV
Up to £500,000	85%
£500,000 - £750,000	80% (or £425,000 if greater)
£750,001 - £1,000,000	75% (or £600,000 if greater)
£1,000,000+	60% (or £750,000 if greater)

The loan to value limits stated above are exclusive of fees. Customers can chose to add product/arrangement fees to the loan..

Loan to value limits may also be further limited within individual product restrictions.

Additional limits have been and are applied for remortgages.

Security

The security must be in England or Wales.

Under the Seller's current Lending Criteria, the security must be intended for owner occupied residential purposes only. Full vacant possession must be obtained at completion. The Seller has historically provided a buy to let product. However, the Closing Date Portfolio will not contain any buy to let products.

The Seller may accept as security any land or land and buildings that it considers acceptable including properties requiring works. However, the Seller considers certain types of property unacceptable including (without limitation) freehold flats/maisonettes, mobile homes, houseboats, commonhold properties and prefabricated buildings.

Valuations

The Seller will obtain a valuation in all cases, undertaken by either a suitably qualified Valuer or an Automated Valuation Model (**AVM**). AVM is usually restricted to remortgage cases where the LTV on the property is 70% or less (60% or less under the current Lending Criteria).

Changes to the underwriting policies and the Lending Criteria

The Seller's underwriting policies and Lending Criteria were and are subject to change within the Seller's sole discretion. Loans were and are originated by way of exception to the lending criteria where the Seller determined that the exception would have been acceptable to a prudent mortgage lender. Product Switches and Further Advances that are originated under Lending Criteria that are different from the criteria set out here may be sold to the Issuer.

Insurance policies

Insurance on the property

Each mortgaged property is required to be insured with buildings insurance. The property may be insured by the Seller at the expense of the Borrower or, the insurance may be purchased by the Borrower or (in the case of leasehold property) by a landlord or by a property management company. If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower's mortgage account.

Subject as set out above, the Seller only insures a property once it has repossessed the property from a defaulting Borrower. See "*Properties in possession cover*" below.

Borrower-arranged buildings insurance

Britannia currently sells home insurance policies underwritten by third party providers (Legal & General Insurance Company Limited, Certain Underwriters at Lloyds of London, UIA (Insurance) Limited, Groupama Insurances). A Borrower may elect not to take up such an insurance policy, or a Borrower who originally had such a policy may elect to insure the property with an independent insurer. The Seller requires that any borrower-arranged insurance policy be drawn in the joint names of the Seller and all of the parties to the mortgage and be maintained in their joint names for the duration of the mortgage. If this is not possible, for example because the property is leasehold and the lease provides for the landlord to insure, the Borrower must arrange for the Seller's interest to be noted on the landlord's policy. The Seller also requires that the sum insured be for an amount not less than the full reinstatement value of the property, and that the

Borrower make a claim under the insurance for any damages covered by it unless the Borrower makes good the damage.

Mortgage protection plans

The Seller currently offers Borrowers the option to purchase Mortgage Payment Protection Insurance (**MPPI**) underwritten by Axa Insurance UK plc. MPPI can protect the Borrower's monthly mortgage payments in the event of unemployment, accident, sickness, or the Borrower leaving work to become a full time carer for a relative. The Borrower takes cover up to a maximum of £ 2,500 subject to acceptance. Britannia also offers Borrowers the ability to purchase Income Protection, Critical Illness cover and Life assurance.

Properties in possession cover

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy (the **Properties in Possession Cover**) so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession.

Title and Search insurance

Search insurance is obtained in some instances on remortgage cases, in these instances a solicitor does not undertake a Local Search. Local searches are undertaken on all new mortgages.

Title insurance is obtained in respect of certain limited title defects (e.g. restrictive covenants, absence of rights of way) from all solicitors on new mortgages and remortgages. An investigation of title is always undertaken and insurance obtained if an investigation of title has taken place and a defect discovered.

Arrears policy

The Seller identifies a Loan as being in arrears where an amount equal to or greater than a full month's contractual payment remains unpaid at the end of a calendar month. The Borrower will receive an initial arrears letter from the Seller which is created on the first working day of the new calendar month.

The Seller will attempt to contact the Borrower initially by letter and then by telephone if such payments remain unpaid. The seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. These options may include, loan modification, concessionary payment and repayment plans. A field agent may also be offered to a borrower. Where a satisfactory arrangement cannot be reached or maintained, possession proceedings may be instigated to enable the Seller to enforce its security.

Governing law

Each of the Loans is governed by English law.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has largely been compiled by reference to certain Loans in a portfolio as at 30 November 2009 (the **Reference Date**) (the **Closing Date Portfolio**). The Closing Date Portfolio will consist of 33,559 Loans originated by the Britannia or (as applicable) the Co-op under the Britannia brand between 2001 and 2009 and secured over properties located in England and Wales. The Current Balance of the Closing Date Portfolio is £3,636,035,526.40. The Initial Portfolio has been randomly selected from the Closing Date Portfolio. Columns may not add up to 100 per cent. due to rounding. A Loan will be removed from the Initial Portfolio if in the period from (and including) the Reference Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the Loan Warranties on the Closing Date. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Reference Date, which includes all principal and accrued interest for the Loans in the Initial Portfolio.

The Initial Portfolio as at 31 January 2010 consisted of a randomly selected pool of 26,550 Loans originated by Britannia or (as applicable) the Co-op, selected from the Closing Date Portfolio and transferred to the Issuer and secured over properties located in England and Wales having an aggregate Current Balance of £2,906,989,310.

In this section:

Mortgage Accounts means the totality of the relevant loans granted by the Seller secured on the same Property and their related Security; and

Sub-Accounts means the individual relevant loans granted by the Seller secured on the same Property and their related Security.

Current Balances as at the Reference Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
£0- £24,999.99	34,778,238	0.96%	2,283	6.80%
£25,000 - £49,999.99	173,105,410	4.76%	4,498	13.40%
£50,000 - £74,999.99	347,752,343	9.56%	5,537	16.50%
£75,000 - £99,999.99	512,635,260	14.10%	5,873	17.50%
£100,000 - £124,999.99	555,224,112	15.27%	4,960	14.78%
£125,000 - £149,999.99	477,120,519	13.12%	3,492	10.41%
£150,000 - £174,999.99	360,006,216	9.90%	2,229	6.64%
£175,000 - £199,999.99	283,189,997	7.79%	1,515	4.51%
£200,000 - £299,999.99	547,975,666	15.07%	2,306	6.87%
£300,000 - £399,999.99	202,943,292	5.58%	593	1.77%
£400,000 - £499,999.99	73,873,279	2.03%	166	0.49%
£500,000 - £599,999.99	31,085,908	0.85%	57	0.17%
£600,000 - £799,999.99	25,663,372	0.71%	39	0.12%
£800,000 - £999,999.99	8,098,729	0.22%	9	0.03%
£1,000,000 - £1,499,999.99	1,083,060	0.03%	1	0.00%
£1,500,000 - £1,999,999.99	1,500,127	0.04%	1	0.00%
Totals	3,636,035,526	100.00%	33,559	100.00%

* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans as of the Reference Date is £1,500,127, £1,008 and £108,348, respectively.

Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Reference Date based on the original amount of the initial advance on the date of origination of the Loan divided by the value of the Property securing the Loans in the Mortgage Account as at that date. The seller has not revalued any of the mortgaged properties since the date of the origination of the related Loan other than where additional lending has been applied for or advanced, and in certain product switch and re-arrangement application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, the revised valuation has not been used in formulating this data.

Range of LTV Ratios at Origination*	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% - 24.99%	182,278,112	5.01%	4,511	13.44%
25% - 49.99%	883,422,483	24.30%	10,139	30.21%
50% - 74.99%	1,364,723,643	37.53%	10,454	31.15%
75% - 79.99%	241,649,944	6.65%	1,660	4.95%
80% - 84.99%	223,634,586	6.15%	1,523	4.54%
85% - 89.99%	341,219,263	9.38%	2,323	6.92%
90% - 94.99%	358,575,670	9.86%	2,588	7.71%
95% - 99.99%	40,531,826	1.11%	361	1.08%
Totals	3,636,035,526	100.00%	33,559	100.00%

* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original weighted average Loan to Value Ratio as at the Reference Date of the Loans in the Closing Date Portfolio is 62.19 per cent.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Reference Date by the indexed original valuation of the Property securing that Loan at the same date.

Range of Current Indexed LTV Ratios**	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% - 24.99%	208,325,786	5.73%	5,512	16.42%
25% - 49.99%	856,849,753	23.57%	9,648	28.75%
50% - 74.99%	1,227,113,434	33.75%	9,289	27.68%
75% - 79.99%	264,668,460	7.28%	1,834	5.47%
80% - 84.99%	292,162,965	8.04%	1,952	5.82%
85% - 89.99%	343,267,608	9.44%	2,389	7.12%
90% - 94.99%	137,181,663	3.77%	903	2.69%
95% - 99.99%	123,102,970	3.39%	794	2.37%
100% - 104.99%	109,026,206	3.00%	722	2.15%
105%+	74,336,683	2.04%	516	1.54%
Totals	3,636,035,526	100.00%	33,559	100.00%

* Indexed using the Halifax House Price Index (seasonally adjusted) based on monthly data as at November 2009.

** Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The weighted average current Loan to Value Ratio as at the Reference Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 63.95 per cent.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Current	3,636,035,526	100.00%	33,559	100.00%
Up to one month	-	-	-	-
Over one month	-	-	-	-
Totals	3,636,035,526	100.00%	33,559	100.00%

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination (less the aggregate amount of all authorised underpayments made by such borrower up to such date of determination) and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding 2 monthly payments (but for which the aggregate of missed payments is less than 3 monthly payments) would be classified as being between 2 – 3 months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Loans throughout England and Wales as at the Reference Date. No properties are situated outside England and Wales.

Region	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
South East	1,013,064,672	27.86%	7,125	21.23%
West Midlands	486,054,378	13.37%	5,518	16.44%
North West	479,448,129	13.19%	5,082	15.14%
South West	394,663,734	10.85%	3,955	11.79%
Greater London	360,486,347	9.91%	2,108	6.28%
Yorkshire Humber	251,636,464	6.92%	2,692	8.02%
East Midlands	233,360,861	6.42%	2,512	7.49%
East Anglia	159,300,710	4.38%	1,643	4.90%
Wales	131,680,753	3.62%	1,488	4.43%
North	126,339,478	3.47%	1,436	4.28%
Totals	3,636,035,526	100.00%	33,559	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans in this table have been taken as at the Reference Date and are calculated with respect to the initial advance.

Seasoning	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0 to <12	787,041,459	21.65%	6,656	19.83%
12 to <18	241,809,937	6.65%	2,285	6.81%
18 to <24	649,223,839	17.86%	5,545	16.52%
24 to <30	476,966,277	13.12%	4,246	12.65%
30 to <36	261,356,496	7.19%	2,787	8.30%
36 to <48	607,788,809	16.72%	6,004	17.89%
48 to <60	345,266,224	9.50%	3,712	11.06%
60 to <72	143,160,081	3.94%	1,228	3.66%
72 to <84	105,818,988	2.91%	923	2.75%
84 to <96	15,677,663	0.43%	157	0.47%
96 to <108	1,925,754	0.05%	16	0.05%
Totals	3,636,035,526	100.00%	33,559	100.00%

The maximum, minimum and weighted average seasoning of Loans in the Closing Date Portfolio as at the Reference Date is 101.36, 0.00 and 29.05 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Reference Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0 to <5	83,556,259	2.30%	1,869	5.57%
5 to <10	266,428,233	7.33%	4,080	12.16%
10 to <15	518,381,977	14.26%	5,806	17.30%
15 to <20	940,936,776	25.88%	8,097	24.13%
20 to <25	1,272,226,701	34.99%	9,365	27.91%
25 to <30	394,472,151	10.85%	3,031	9.03%
30 to <35	119,077,082	3.27%	938	2.80%
35 to <40	40,299,637	1.11%	367	1.09%
40+	656,710	0.02%	6	0.02%
Totals	3,636,035,526	100.00%	33,559	100.00%

The maximum, minimum and weighted average remaining term of the Loans in the Closing Date Portfolio as at the Reference Date is 40.02, 0.08 and 19.57 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Remortgage	1,958,820,907	53.87%	20,164	60.09%
Purchase	1,677,214,619	46.13%	13,395	39.91%
Totals	3,636,035,526	100.00%	33,559	100.00%

As at the Reference Date, the average balance of Loans used to finance the purchase of a new Property was £125,212 and the average balance of Loans used to remortgage a Property already owned by the borrower was £97,144.

Repayment Terms

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Reference Date.

Repayment Terms	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Capital	2,479,987,104	68.21%	24,660	73.48%
Interest Only	734,187,967	20.19%	5,390	16.06%
Mixed	421,860,455	11.60%	3,509	10.46%
Totals	3,636,035,526	100.00%	33,559	100.00%

As at the Reference Date, the average balance of capital repayment Loans, interest-only and mixed Loans in the Closing Date Portfolio is £100,567, £136,213 and £120,222, respectively.

Product Types

The following table shows the distribution of special rate loans as at the Reference Date.

Product Type	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
Fixed	2,590,401,440	71.24%	33,614	69.08%
Base	742,218,859	20.41%	10,760	22.11%
SVR	303,415,228	8.34%	4,289	8.81%
Totals	3,636,035,526	100.00%	48,663	100.00%

Payment Methods

The following table shows the payment methods for the Loans in a Mortgage Account as at the Reference Date.

Payment Methods	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Direct Debit	3,486,172,656	95.88%	32,195	95.94%
Other	149,862,871	4.12%	1,364	4.06%
Totals	3,636,035,526	100.00%	33,559	100.00%

Fixed Rate Loans

As at the Reference Date, approximately 71.24 per cent. of the Aggregate Current Balance as at the Reference Date in the Closing Date Portfolio are Fixed Rate Loans. The following tables shows the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Standard Variable Rate or some other rate as specified in the offer conditions.

Fixed Interest Rates	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 - 2.99%	618,268	0.02%	8	0.02%	May 2011
3 - 3.99%	199,835,281	7.71%	2,889	8.59%	January 2012
4 - 4.99%	787,085,218	30.38%	10,664	31.72%	June 2013
5 - 5.99%	1,288,737,773	49.75%	15,130	45.01%	November 2012
6 - 6.99%	312,925,489	12.08%	4,894	14.56%	February 2013
7 - 7.99%	1,199,411	0.05%	29	0.09%	June 2015
Totals	2,590,401,440	100.00%	33,614	100.00%	January 2013

The maximum, minimum and weighted average fixed interest rate in the Closing Date Portfolio as at the Reference Date is 7.99 per cent., 2.74 per cent. and 5.20 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate
2009	28,712,737	1.11%	379	1.13%	5.48%
2010	391,565,775	15.12%	5,873	17.47%	5.27%
2011	518,342,876	20.01%	6,967	20.73%	5.08%
2012	634,712,252	24.50%	8,051	23.95%	5.20%
2013	335,496,576	12.95%	3,527	10.49%	5.60%
2014	435,777,363	16.82%	4,824	14.35%	4.89%
2015	33,907,880	1.31%	610	1.81%	5.10%
2016	28,653,567	1.11%	539	1.60%	5.16%
2017	28,222,920	1.09%	498	1.48%	5.71%
2018	23,082,070	0.89%	485	1.44%	6.22%
2019	120,051,693	4.63%	1,484	4.41%	5.11%
2020+	11,875,729	0.46%	377	1.12%	6.01%
Totals	2,590,401,440	100.00%	33,614	100.00%	5.20%

Tracker Rate Loans

As at the Reference Date, approximately 20.41 per cent. of the Aggregate Current Balance as at the Reference Date in the Closing Date Portfolio are Tracker Rate Loans. The following tables show the distribution of Tracker Rate Loans by their current rate of interest as at such date, and in the year in which the Loans revert to a different rate of interest, where applicable. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Tracker Interest Rates	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
0 - 1.99%	567,587,191	76.47%	7,989	74.25%
2 - 2.99%	174,490,753	23.51%	2,769	25.73%
3 - 3.99%	140,914	0.02%	2	0.02%
Totals	742,218,859	100.00%	10,760	100.00%

The maximum, minimum and weighted average tracker interest rate in the Closing Date Portfolio as at the Reference Date is 3.29 per cent., 0.50 per cent. and 1.24 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate
2009	20,009,774	2.70%	264	2.45%	0.66%
2010	354,342,498	47.74%	4,505	41.87%	0.98%
2011	10,717,308	1.44%	121	1.12%	1.70%
2012	121,124	0.02%	4	0.04%	1.54%
Does Not Revert	357,028,155	48.10%	5,866	54.52%	1.52%
Totals	742,218,859	100.00%	10,760	100.00%	1.24%

Variable Rate Loans

As at the Reference Date, approximately 8.34 per cent. of the Aggregate Current Balance as at the Reference Date in the Closing Date Portfolio are Variable Rate Loans. The following tables show the distribution of Variable Rate Loans by their current rate of interest as at such date, and in the year in which the Loans revert to a different rate of interest, where applicable. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Variable Interest Rates	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
3 – 3.99%	37,923,674	12.50%	720	16.79%
4 – 4.99%	254,759,825	83.96%	3,479	81.11%
5 – 5.99%	10,697,705	3.53%	88	2.05%
No Data*	34,024	0.01%	2	0.05%
Totals	303,415,228	100.00%	4,289	100.00%

* Loans will be removed from the Initial Portfolio on the Closing Date

The maximum, minimum and weighted average variable interest rate in the Closing Date Portfolio as at the Reference Date is 5.74 per cent., 3.99 per cent. and 4.26 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate
2011	13,099,586	4.32%	200	4.66%	5.36%
Does Not Revert	290,315,642	95.68%	4,089	95.34%	4.21%
Totals	303,415,228	100.00%	4,289	100.00%	4.26%

HISTORICAL AMORTISATION RATES OF BRITANNIA MORTGAGE LOANS

Period from	Period to	Average of Monthly Amortisation Rate (Annualised)	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Feb-06	Mar-06	10.8%		
Apr-06	Jun-06	18.1%		
Jul-06	Sep-06	14.7%		
Oct-06	Dec-06	16.0%	2006*	15.3%
Jan-07	Mar-07	12.0%		
Apr-07	Jun-07	17.6%		
Jul-07	Sep-07	16.0%		
Oct-07	Dec-07	13.1%	2007	14.7%
Jan-08	Mar-08	5.7%		
Apr-08	Jun-08	12.8%		
Jul-08	Sep-08	12.7%		
Oct-08	Dec-08	11.3%	2008	10.6%
Jan-09	Mar-09	10.8%		
Apr-09	Jun-09	5.6%		
Jul-09	Sep-09	12.5%		
Oct-09	Nov-09	12.6%	2009**	10.2%

* Feb to Dec

** Jan to Nov

Note: the monthly amortisation rate above has been calculated by the following formula: $1 - (1 - D)^{(365 / \text{number of days in the month})}$ where $D = (A - (B - C)) / A$ where A = Britannia prime mortgage balance at previous month end, B = Britannia prime mortgage balance at relevant month end and C = volume of new Britannia prime mortgage originations (including re-arrangements and excluding advances unless part of a re-arrangement).

DELINQUENCY AND LOSS EXPERIENCE OF BRITANNIA MORTGAGE LOANS

The following table summarises the arrears experience for the loans originated under the Britannia Brand compared to the arrears and possessions experience of UK mortgage market participants over time. The Seller will represent and warrant on the Closing Date that no Loan to be transferred to the Issuer on the Closing Date will be more than one monthly payment in arrears.*

	2004	2005	2006	2007	2008	Sep-09
Numbers of loans	155,271	148,636	146,071	145,898	141,379	139,419
Volume (£,000)	9,537,137	9,566,796	10,198,426	10,808,695	10,762,171	10,682,768
Arrears >2.5% to 5% (%)	0.56%	0.41%	0.29%	0.23%	0.23%	0.21%
Arrears >5% to 7.5% (%)	0.19%	0.10%	0.06%	0.06%	0.08%	0.07%
Arrears >7.5% to 10% (%)	0.08%	0.04%	0.02%	0.02%	0.03%	0.04%
Arrears >10% (%)	0.10%	0.07%	0.05%	0.03%	0.05%	0.07%
Arrears >2.5% (%)	0.94%	0.61%	0.42%	0.35%	0.38%	0.39%
<u>CML Industry Comparison^(**)</u>						
<u>(>2.5%)</u>	0.91%	1.03%	0.96%	1.08%	1.57%	1.77%
Arrears >2.5% to 5% (Number)	875	605	425	342	324	294
Arrears >5% to 7.5% (Number)	300	144	92	89	109	100
Arrears >7.5% to 10% (Number)	122	61	31	33	39	53
Arrears >10% (Number)	163	102	72	50	69	94
Arrears >2.5% (Number)	1460	912	620	514	541	541
<u>Balance of loans in >2.5% arrears (£,000)</u>	53,412	34,300	22,890	20,993	23,893	24,635
Properties in possession	29	28	18	18	30	24
Total Losses (£mm)	0.5	0.4	0.2	0.5	0.2	0.7
Repossession % (By Number)	0.02%	0.02%	0.01%	0.01%	0.02%	0.02%
<u>CML Industry Repossessions Comparison (By Number)</u>	0.03%	0.05%	0.07%	0.10%	0.19%	0.16%

* Figures based on CML definition:

For accounts where the balance outstanding > £1000 or monthly sub > £5

1st charge active possessions only (2nd charge possessions included in relevant arrears bands)

Law of Property Act receiver of rent cases excluded from arrears and possessions (with effect December 2008)

Excludes deceased arrears and possessions (with effect April 2009)

** Calculated using underlying Council of Mortgage Lenders data

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR rates

In the following tables, quarterly industry constant repayment rate (**industry CPR**) data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by building societies in a quarter by the quarterly balance of mortgages outstanding for building societies in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

<u>Quarter</u>	<u>Industry CPR rate for the quarter (%)</u>	<u>12-month rolling average (%)</u>	<u>Quarter</u>	<u>Industry CPR rate for the quarter (%)</u>	<u>12-month rolling average (%)</u>
March 2000	13.82	14.69	December 2004	18.71	20.36
June 2000	13.86	14.55	March 2005.....	17.76	19.83
September 2000	14.89	14.38	June 2005.....	17.75	18.91
December 2000	15.55	14.53	September 2005	20.24	18.62
March 2001	15.47	14.94	December 2005	20.36	19.03
June 2001	17.36	15.81	March 2006.....	19.65	19.50
September 2001	19.12	16.87	June 2006.....	19.37	19.90
December 2001	19.01	17.74	September 2006	21.25	20.16
March 2002	18.68	18.54	December 2006	21.07	20.34
June 2002	19.88	19.17	March 2007.....	19.57	20.32
September 2002	22.40	19.99	June 2007.....	19.25	20.29
December 2002	22.16	20.78	September 2007	21.22	20.28
March 2003	19.51	20.99	December 2007	18.63	19.67
June 2003	20.18	21.06	March 2008.....	14.68	18.45
September 2003	21.65	20.88	June 2008.....	16.61	17.78
December 2003	21.33	20.67	September 2008	15.95	16.47
March 2004	19.90	20.77	December 2008	12.85	15.02
June 2004	21.42	21.07	March 2009.....	12.19	14.40
September 2004	21.41	21.01	June 2009.....	12.61	13.40
			September 2009	13.81	12.87

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

Repossession rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Repossessions		Repossessions		Repossessions	
Year	(%)	Year	(%)	Year	(%)
1985.....	0.25	1993.....	0.58	2001.....	0.16
1986.....	0.30	1994.....	0.47	2002.....	0.11
1987.....	0.32	1995.....	0.47	2003.....	0.07
1988.....	0.22	1996.....	0.40	2004.....	0.07
1989.....	0.17	1997.....	0.31	2005.....	0.12
1990.....	0.47	1998.....	0.31	2006.....	0.18
1991.....	0.77	1999.....	0.27	2007.....	0.22
1992.....	0.69	2000.....	0.20	2008.....	0.34

Source: Council of Mortgage Lenders

House price to earnings ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings figures referring to weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1994.....	4.52	2002.....	6.72
1995.....	4.45	2003.....	7.40
1996.....	4.49	2004.....	7.88
1997.....	4.75	2005.....	8.05
1998.....	5.08	2006.....	8.11
1999.....	5.34	2007.....	8.69
2000.....	5.81	2008.....	8.32
2001.....	5.96		

Source: Council of Mortgage Lenders

House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a division of Bank of Scotland plc which is part of the Lloyds Banking Group.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 1988	103.7	3.33%	90.0	9.80	164.9	15.94
June 1988	106.2	4.13%	97.6	12.89	180.2	20.16
September 1988	107.7	5.34%	108.4	20.17	198.9	26.50
December 1988	109.9	6.29%	114.2	25.49	212.0	29.27
March 1989	111.7	7.43%	118.8	27.76	217.8	27.82
June 1989	114.9	7.87%	124.2	24.10	226.8	23.00
September 1989	116.0	7.42%	125.2	14.41	227.3	13.35
December 1989	118.3	7.37%	122.7	7.18	222.8	4.97
March 1990	120.4	7.50%	118.9	0.08	220.7	1.32
June 1990	126.0	9.22%	117.7	(5.38)	224.3	(1.11)
September 1990	128.1	9.92%	114.2	(9.20)	224.2	(1.37)
December 1990	130.1	9.51%	109.6	(11.29)	222.9	0.04
March 1991	130.8	8.28%	108.8	(8.88)	220.2	(0.23)
June 1991	133.6	5.86%	110.6	(6.22)	223.2	(0.49)
September 1991	134.2	4.65%	109.5	(4.20)	220.8	(1.53)
December 1991	135.5	4.07%	107.0	(2.40)	217.5	(2.45)
March 1992	136.2	4.05%	104.1	(4.42)	210.6	(4.46)
June 1992	139.1	4.03%	105.1	(5.10)	210.4	(5.91)
September 1992	139.0	3.51%	104.2	(4.96)	208.4	(5.78)
December 1992	139.6	2.98%	100.1	(6.67)	199.3	(8.74)
March 1993	138.7	1.82%	100.0	(4.02)	196.9	(6.73)
June 1993	140.9	1.29%	103.6	(1.44)	203.2	(3.48)
September 1993	141.3	1.64%	103.2	(0.96)	204.2	(2.04)
December 1993	141.8	1.56%	101.8	1.68	202.5	1.59
March 1994	142.0	2.35%	102.4	2.37	202.3	2.71
June 1994	144.5	2.52%	102.5	(1.07)	204.3	0.54
September 1994	144.6	2.31%	103.2	0.00	204.3	0.05
December 1994	145.5	2.58%	104.0	2.14	200.9	(0.79)
March 1995	146.8	3.32%	101.9	(0.49)	200.3	(0.99)
June 1995	149.5	3.40%	103.0	0.49	201.0	(1.63)
September 1995	149.9	3.60%	102.4	(0.78)	199.0	(2.63)
December 1995	150.1	3.11%	101.6	(2.33)	197.8	(1.56)
March 1996	150.9	2.75%	102.5	0.59	200.9	0.30
June 1996	152.8	2.18%	105.8	2.68	208.6	3.71
September 1996	153.1	2.11%	107.7	5.05	209.8	5.28
December 1996	154.0	2.57%	110.1	8.03	212.6	7.22
March 1997	154.9	2.62%	111.3	8.24	215.3	6.92
June 1997	156.9	2.65%	116.5	9.63	222.6	6.50
September 1997	158.4	3.40%	121.2	11.81	223.6	6.37
December 1997	159.7	3.63%	123.3	11.32	224.0	5.22
March 1998	160.2	3.36%	125.5	12.01	226.4	5.03
June 1998	163.2	3.94%	130.1	11.04	234.9	5.38
September 1998	163.7	3.29%	132.4	8.84	236.1	5.44
December 1998	164.4	2.90%	132.3	7.05	236.3	5.35
March 1999	163.7	2.16%	134.6	7.00	236.3	4.28
June 1999	165.5	1.40%	139.7	7.12	247.7	5.31
September 1999	165.6	1.15%	144.4	8.68	256.7	8.37
December 1999	166.8	1.45%	148.9	11.82	263.4	10.86
March 2000	167.5	2.29%	155.0	14.11	270.5	13.52
June 2000	170.6	3.04%	162.0	14.81	275.6	10.67
September 2000	170.9	3.15%	161.5	11.19	277.6	7.83
December 2000	172.0	3.07%	162.8	8.92	278.3	5.50
March 2001	171.8	2.53%	167.5	7.76	279.0	3.09
June 2001	173.9	1.92%	174.8	7.60	297.0	7.48
September 2001	174.0	1.80%	181.6	11.73	305.0	9.41
December 2001	173.8	1.04%	184.6	12.57	310.9	11.08
March 2002	173.9	1.21%	190.2	12.71	324.3	15.05
June 2002	176.0	1.20%	206.5	16.67	346.6	15.44
September 2002	176.6	1.48%	221.1	19.68	369.1	19.08

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
December 2002	178.2	2.50%	231.3	22.55	393.0	23.43
March 2003	179.2	3.00%	239.3	22.96	400.1	21.00
June 2003	181.3	2.97%	250.1	19.16	422.5	19.80
September 2003	181.8	2.90%	258.9	15.78	437.6	17.02
December 2003	182.9	2.60%	267.1	14.39	453.5	14.32
March 2004	183.8	2.53%	277.3	14.74	474.0	16.95
June 2004	186.3	2.72%	296.2	16.92	513.2	19.45
September 2004	187.4	3.03%	306.2	16.78	527.2	18.63
December 2004	189.2	3.39%	304.1	12.97	522.0	14.07
March 2005	189.7	3.16%	304.8	9.46	520.2	9.30
June 2005	191.9	2.96%	314.2	5.90	532.1	3.62
September 2005	192.6	2.74%	314.4	2.64	543.1	2.97
December 2005	193.7	2.35%	314.0	3.20	548.4	4.93
March 2006	194.2	2.34%	319.8	4.80	552.6	6.04
June 2006	197.6	2.93%	329.2	4.66	582.1	8.98
September 2006	199.3	3.42%	336.1	6.67	586.7	7.72
December 2006	201.4	3.90%	343.2	8.89	602.8	9.46
March 2007	203.0	4.43%	350.2	9.08	613.9	10.52
June 2007	206.3	4.31%	362.7	9.69	644.1	10.12
September 2007	207.1	3.84%	367.3	8.88	649.3	10.14
December 2007	209.8	4.09%	367.0	6.70	634.4	5.11
March 2008	211.1	3.91%	357.8	2.15	620.9	1.13
June 2008	215.3	4.27%	348.1	(4.11)	605.1	(6.25)
September 2008	217.4	4.85%	329.5	(10.86)	568.9	(13.22)
December 2008	215.5	2.68%	312.9	(15.95)	531.5	(17.70)
March 2009	210.9	(0.09)%	298.7	(18.05)	512.5	(19.19)
June 2009	212.6	(1.26)%	307.3	(12.47)	514.3	(16.26)
September 2009	214.4	(1.39)%	319.5	(3.08)	526.5	(7.75)

Source: Office for National Statistics, Nationwide Building Society and HBOS plc, respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

$\text{LN}(x/y)$ where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on their website, <http://www.nationwide.co.uk/hpi/>, but which is not incorporated by reference into this Prospectus. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc, which is available on their website, <http://www.hbosplc.com/economy/>, but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Notes on the Step-Down Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Down Date, in the second scenario;
- (b) the Loans are subject to a constant annual rate of repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5 and 35 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (d) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (e) no Borrowers are offered and accept different mortgage products or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Further Advance thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;
- (f) the Security is not enforced;
- (g) the Mortgages continue to be fully performing;
- (h) the ratio of the Principal Amount Outstanding of the Class A1 Notes to the Current Balance of the Portfolio as at the Closing Date is 86:100;
- (i) during the Further Sale Period, principal collections on the Mortgages are reinvested in new collateral with similar behavioural expectations;
- (j) the Notes are issued on or about 25 February 2010; and
- (k) there will be a tap issuance of £500,000,000 Class A Notes as at the end of the Further Sale Period.

	Assuming Issuer call on Step-Down Date				Assuming no Issuer call			
	Possible Average Life of Class A1 Notes (years)	Possible Average Life of Class B1 VFN (years)	Possible Average Life of Class B2 VFN (years)	Possible Average Life of Class C VFN (years)	Possible Average Life of Class A1 Notes (years)	Possible Average Life of Class B1 VFN (years)	Possible Average Life of Class B2 VFN (years)	Possible Average Life of Class C VFN (years)
5%	4.44	5.07	5.07	5.07	13.53	38.60	38.60	38.60
10%	3.87	5.07	5.07	5.07	6.73	18.83	18.83	18.83
15%	3.37	5.07	5.07	5.07	4.46	12.33	12.33	12.33
20%	2.92	5.07	5.07	5.07	3.33	9.07	9.07	9.07
25%	2.53	5.07	5.07	5.07	2.65	7.07	7.07	7.07
30%	2.18	5.07	5.07	5.07	2.19	5.82	5.82	5.82
35%	1.87	4.82	4.82	4.82	1.87	4.82	4.82	4.82

Assumption (a) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and HM Revenue & Customs (HMRC) practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Each prospective purchaser is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective purchaser may be subject to tax.

In this summary references to "Notes" and "Noteholder" excludes the Class B VFN, the Class C VFN and the Class D VFN and the Class B VFN Holder, the Class C VFN Holder and the Class D VFN Holder.

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the regulated market of the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

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 or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved amendments to this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Further United Kingdom Income Tax Issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom income tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable) in which case tax may be levied on the United Kingdom branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

A disposal of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the income is received or to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of chargeable gains.

Accrued Income Scheme

On a disposal of Notes by an individual Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a

trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the income is received or to which the Notes are attributable.

The Notes are likely to constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme on a disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable, the Noteholder may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchase of such a Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of costs incurred on the acquisition, transfer or redemption, or losses incurred on the transfer or redemption, of the Notes.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue or transfer of the Class A1 Notes (whether in global or definitive form).

SUBSCRIPTION AND SALE

The Co-operative Bank p.l.c. (**Co-op**), J.P. Morgan Securities Ltd. (**JPMSL**) and HSBC Bank plc (together with JPMSL, the **Joint Lead Managers**) have, pursuant to a subscription agreement dated 22 February 2010 between the Co-op, the Seller, the Joint Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for, in the case of the Joint Lead Managers, £375,000,000 of the Class A1 Notes, in the case of JPMSL, £1,000,000,000 of the Class A1 Notes and in the case of the Co-op, £1,125,000,000 of the Class A1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1 Notes. Co-op has, pursuant to the Subscription Agreement, agreed with the Issuer (subject to certain conditions) to subscribe and pay for (a) 100 per cent. of the Class B1 VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class B1 VFN as at the Closing Date, (b) 100 per cent. of the Class B2 VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class B2 VFN, (c) 100 per cent. of the Class C VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class C VFN as at the Closing Date and (d) 100 per cent. of the Class D VFN at an issue price of 100 per cent. of the aggregate principal amount of the Class D VFN as at the Closing Date.

The Joint Lead Managers may sell any of the Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Notes.

The Issuer has agreed to indemnify Co-op and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Class A1 Notes to the Official List and the admission to trading on the London Stock Exchange's Regulated Market, no action has been taken by the Issuer or the Initial Purchasers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each of the Joint Lead Managers and the Co-op has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*", below.

United Kingdom

Each of the Joint Lead Managers and the Co-op has represented to and agreed with the Issuer and Co-op that:

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

Each of the Joint Lead Managers and the Co-op has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Class A1 Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Co-op that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

General

Each of the Joint Lead Managers and the Co-op has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;
- (c) the Issuer, the Registrar, the Arranger, the Joint Lead Managers, the VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION

REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Additional representations and restrictions applicable to a VFN

Any holder of a VFN may only make a transfer of the whole of its VFN or create or grant any Encumbrance in respect of such VFN if all of the following conditions are satisfied:

- (a) the holder of such VFN making such transfer or subjecting the VFN to such Encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such VFN or any other person in relation to such transfer or Encumbrance;
- (b) the holder of such VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A1 Noteholders);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act;
- (d) the transferee of such VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder,

provided that transfers of the Class D VFN shall not be permitted prior to the Investor Redemption Date.

The VFN Registrar shall not pay any relevant Interest Amount to the holder of a VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 2 (Form of Tax Certificate) of the Agency Agreement (the **Tax Certificate**) and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the VFN Registrar that such Interest Amount in respect of the VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the VFN Register.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A1 Notes to the Official List and the admission of the Class A1 Notes to trading on the London Stock Exchange's Regulated Market will be granted on or around 25 February 2010. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 14 January 2010 (being the date of incorporation of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of Section 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Class A1 Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Class A1 Notes are admitted to the Official List and to trading on the London Stock Exchange's Regulated Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 14 January 2010 (being the date of incorporation of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 19 February 2010.
8. The Class A1 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

Class of Notes	ISIN	Common Code
Class A1 Notes	XS0488420893	048842089

9. From the date of this Prospectus and for so long as the Class A1 Notes are listed on the London Stock Exchange's Regulated Market, copies of the following documents may be inspected at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted):
 - (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - (i) the Agency Agreement;

- (ii) the Deed of Charge;
- (iii) the Cash Management Agreement;
- (iv) the Master Definitions and Construction Schedule;
- (v) the Mortgage Sale Agreement;
- (vi) the Corporate Services Agreement;
- (vii) the BNY Mellon Bank Account Agreement;
- (viii) the Co-op Bank Account Agreement;
- (ix) the Collection Account Declaration of Trust;
- (x) the Swap Collateral Bank Account Agreement (if entered into);
- (xi) the Servicing Agreement;
- (xii) the Currency Swap Agreement (if entered into);
- (xiii) the Co-op Fixed Interest Rate Swap Agreement (if entered into);
- (xiv) the Closing Date JPMSL Fixed Interest Rate Swap Agreement (if entered into);
- (xv) the Substitute JPMSL Fixed Interest Rate Swap Agreement (if entered into);
- (xvi) the Floating Interest Rate Swap Agreement; and
- (xvii) the Trust Deed.

10. The Cash Manager on behalf of the Issuer will publish the quarterly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the Britannia website at http://www.britannia.co.uk/home/_site/microsite/bts/index.html. Investor Reports will also be made available to the Seller and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

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