

**Leek Finance Number Twenty PLC**  
(Incorporated in England and Wales under Registered Number 6169701)

**£1,489,000,000 MORTGAGE BACKED FLOATING RATE NOTES DUE 2039**

Initial Principal Amount	Initial Interest Rate	Maturity Date	Issue Price to Investors
£1,489,000,000	3 Month Sterling LIBOR + 1.00%	2039	100%

FOR A DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES, SEE FURTHER THE SECTION ENTITLED "RISK FACTORS" COMMENCING ON PAGE 19. PARTICULAR ATTENTION IS DRAWN TO THE ISSUES THAT ARE SUMMARISED IN THAT SECTION.

The £1,489,000,000 Mortgage Backed Floating Rate Notes of Leek Finance Number Twenty PLC (the Issuer) will comprise £1,489,000,000 Mortgage Backed Floating Rate Notes due 2039 (the Notes and the holders thereof, the Noteholders).

BRITANNIA BUILDING SOCIETY HAS AGREED TO PURCHASE THE NOTES FROM THE ISSUER.

JPMorgan

Co-Arrangers

The Royal Bank of Scotland

The date of this Prospectus is 30 June 2008

Financial Services Authority  
UK Listing Authority  
Document approved

Date: 30<sup>th</sup> June 2008

Signed: 1. [Signature]

Application has been made for the Notes to be admitted to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (**FSMA**)) (the **UK Listing Authority** or the **UKLA**)) and to the London Stock Exchange plc (the **London Stock Exchange**) for the 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 offering document (the **Prospectus**) comprises a prospectus with regard to the Issuer and the Notes for the purposes of Directive 2003/71/EC (the **Prospectus Directive**) and has been approved by the UK Listing Authority in accordance with the prospectus rules made by the UKLA under Part VI of FSMA (the **Prospectus Rules**).

Interest is payable on the Notes on 22 September 2008 and thereafter quarterly in arrear on the 21st day in each of December, March, June and September in each year (subject to adjustment for that date not being a Business Day) in accordance with the terms and conditions (the **Conditions**, and each, a **Condition**) of the Notes (each an **Interest Payment Date**). Interest is payable on each Interest Payment Date at an annual rate of LIBOR for three month Sterling deposits (**3 Month Sterling LIBOR**) or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of two month and three month LIBOR plus 1.00 per cent. per annum until the Interest Payment Date falling in June 2013 and thereafter at an annual rate of 3 Month Sterling LIBOR plus 1.00 per cent. per annum.

Each period from (and including) an Interest Payment Date (or, in the case of the first such period, the Closing Date (as defined below)) to (but excluding) the next (or first) Interest Payment Date is an **Interest Period**. The rate of interest payable from time to time in respect of the Notes will be determined on each Interest Payment Date, or, in the case of the first Interest Period, the Closing Date (each an **Interest Determination Date**).

The Notes will be secured by the same security. Prior to redemption of the Notes on the Interest Payment Date falling in 21 December 2039, the Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase the Notes in the market. However, Leek Finance Holdings Number Twenty Limited may purchase all (but not some only) of the outstanding Notes pursuant to the Post-Enforcement Call Option (see further the section below entitled "*Summary Information – Redemption and Purchase*" and Condition 6).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or under applicable United States state securities laws. This prospectus is not a "prospectus" as such term is defined in Section 2(a)(10) of the Securities Act. Accordingly, the Notes are being offered solely outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**). See "*Notice to Investors*" for certain restrictions on resales.

The Notes will initially be represented by a fully registered Regulation S Global Note. See "*Terms and Conditions of the Notes*" and "*Description of the Notes in Global Form*" herein.

The Notes will be obligations solely of the Issuer and the Notes will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, J.P. Morgan Securities Ltd. (**JPMorgan**, a **Co-Arranger**), The Royal Bank of Scotland plc (**RBS**, the **Interest Rate Swap Counterparty** and a **Co-Arranger** and together with JPMorgan, the **Co-Arrangers**), JPMorgan Chase Bank, National Association (**JPMCB**, the **Basis Swap Counterparty**), Meerbrook Finance Number Three Limited (**Meerbrook 3**), Mortgage Agency Services Number Five Limited (**MAS5**), GMAC-RFC Limited (**GMAC-RFC**), Platform Funding Limited (**PFL**), Leek Finance Holdings Number Twenty Limited, Western Mortgage Services Limited (**WMS**), Britannia Building Society, in any capacity (**Britannia**) or any subsidiary or affiliate of Britannia (a **Britannia Group Company**), National Westminster Bank Plc acting through its branch at Derby Street, Leek, Staffordshire (**NatWest**) or Capita Trust Company Limited (the **Trustee**).

As a condition to the issue of the Notes, the Notes are to be rated AAA by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. (**S&P**), Aaa by Moody's Investors Service, Inc.

(**Moody's**) and AAA by Fitch Ratings Ltd. (**Fitch** and, together with S&P and Moody's, the **Rating Agencies**).

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

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, Britannia (in any capacity), a Britannia Group Company, the Trustee, JPMorgan, JPMCB or RBS or any of their respective agents or affiliates. 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 in the other information contained herein since the date hereof. The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Co-Arrangers or JPMCB as to the accuracy or completeness of such information. None of the Trustee, Britannia (in any capacity), any Britannia Group Company, JPMCB and the Co-Arrangers (in any capacity) 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 Trustee, JPMCB and the Co-Arrangers (in any capacity) or any of them to subscribe for or purchase any of the Notes.

### **Selling Restrictions**

The Notes may not be offered or sold directly or indirectly, and neither this document nor any other prospectus or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable securities laws, orders, rules and regulations. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this document see further the section entitled "*Notice to Investors*".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED 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, AND UNDER CIRCUMSTANCES THAT WILL NOT REQUIRE THE ISSUER TO REGISTER UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, THE NOTES ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERS AND EACH INITIAL AND SUBSEQUENT PURCHASER OF A NOTE WILL BE DEEMED, BY ITS ACCEPTANCE OF SUCH NOTE, TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER THEREOF AS SET FORTH THEREIN AND AS DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE OR OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE

NOTES FOR AN INDEFINITE PERIOD OF TIME. SEE FURTHER THE SECTION ENTITLED "NOTICE TO INVESTORS".

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of Notes in reliance upon Regulation S outside the United States to non-U.S. persons. See further the section entitled "*Notice to Investors*". All transactions must be for a principal amount of Notes of not less than £100,000 in principal amount of Notes.

No action has been or will be taken by the Issuer or the Co-Arrangers other than the approval of this document as a prospectus in accordance with the rules made under Part VI of FSMA, an application to admit the Notes to the Official List of the UK Listing Authority and an application for admission to trading on the London Stock Exchange, that would permit a public offering of the Notes or the distribution of this document in any country or jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Co-Arrangers to inform themselves about, and to observe, such restrictions. For a description of certain further restrictions on offers and sales of Notes and distributions of this Prospectus, see further the section entitled "*Notes Issuance*" below.

This Prospectus has been prepared solely for use in connection with the offering of the Notes. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Notes. Distribution of this Prospectus in the United States to any person other than the offeree and those persons, if any, retained to advise the offeree with respect to this offering is unauthorised and any disclosure of any of its contents without the prior written consent of the Issuer is prohibited.

### **Forward-looking statements**

Certain statements contained in this Prospectus, including any targets, forecasts, projections, descriptions or statements regarding possible future results of operations, any statement preceded by, followed by or that includes the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements" (as such term is defined in the U.S. Private Securities Litigation Reform Act of 1995). Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. See further in particular the section entitled "*Risk Factors*". All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph.

Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. The Issuer will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof.

### **Definitions**

In this Prospectus all references to **Pounds, Sterling** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom**). References in this Prospectus to **Dollars** and **U.S.\$** are references to the lawful currency of the United States of America. References to **Euro** and **€** are references to the currency introduced at the commencement of the third stage of the European Economic and Monetary Union on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

The Index of Defined Terms at the back of this document specifies where a capitalised word or phrase used in this document is defined.



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## TRANSACTION OVERVIEW

*The following information is a brief overview of certain key features of the Notes and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus.*

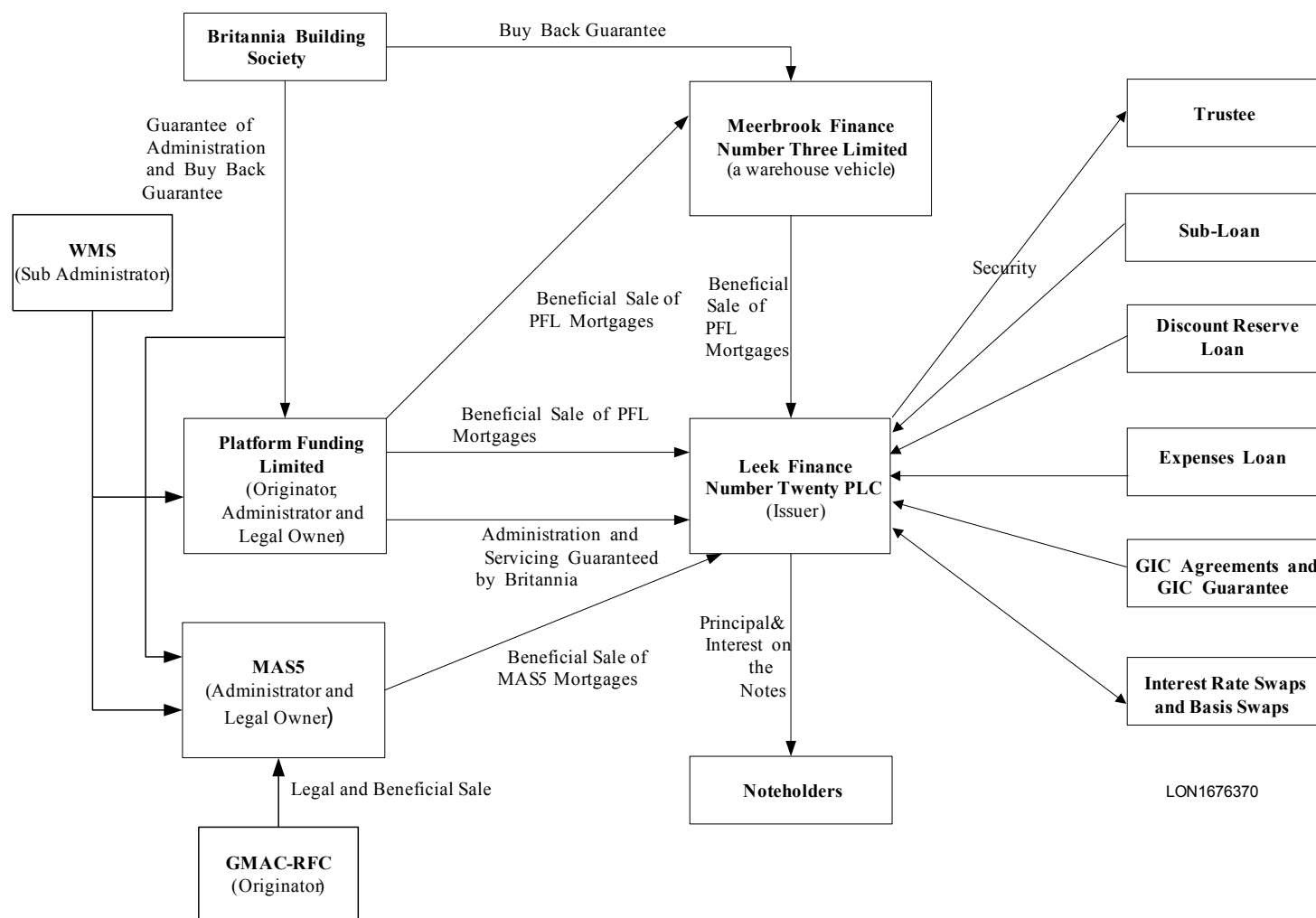
<b>Notes</b>	<b>Initial Principal Balance</b>	<b>% of Total</b>
Notes.....	£1,489,000,000	79.00%
Subordinated Loan (Tranche A)	£395,808,374.14	21.00%
Total	£1,884,808,374.14	100.00%
<b>Required Amount</b> .....	£94,240,418.71	5.00%*

\* % of the sum of the aggregate Principal Amount Outstanding (as defined in Condition 1) on all of the Notes and the Tranche A Sub Loan Drawing, in each case on the Closing Date.

	<b>Notes</b>
Anticipated Long Term Ratings .....	AAA/Aaa/AAA or equivalent
Rating Agencies .....	S&P, Moody's and Fitch
Credit Enhancement .....	Subordinated Loan Tranche A, Required Amount and Income Surplus
Interest Rate .....	1.00% per annum (or 1.00% per annum after June 2013)  above 3 Month Sterling LIBOR rate of the relevant Interest Period
Interest Accrual Method .....	Actual/365/366
Interest Payment Dates .....	The 21st day of September, December, March and June of each year
First Interest Payment Date .....	22 September 2008
Step-up Date .....	June 2013
Maturity Date .....	Interest Payment Date falling in December 2039
Clearance/Settlement .....	Euroclear/ Clearstream, Luxembourg
Denomination .....	£100,000

## STRUCTURE DIAGRAM

*This structure diagram is an indicative overview of the principal features of the transaction. The structure diagram must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in this document.*



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## OVERVIEW INFORMATION

*The information set out below is an overview of the principal features of the issue of the Notes. This overview should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Prospectus.*

### The Issuer

The Issuer has been established to acquire a portfolio of residential mortgage loans made to borrowers in England and Wales, Scotland and Northern Ireland. The Mortgage Pool (as defined below) will consist of:

- (i) mortgage loans originated by PFL where the legal and beneficial title to such mortgage loans is held by PFL (the **PFL Mortgages**);
- (ii) mortgage loans originated by PFL where beneficial title to such mortgage loans was sold to a warehouse vehicle, Meerbrook Finance Number Three Limited (**Meerbrook 3**) under an origination and sale agreement dated 24 November 2006 (the **Meerbrook 3 Origination and Sale Agreement**) (the **Meerbrook 3 Mortgages**); and
- (iii) mortgage loans originated by GMAC-RFC where legal and beneficial title to such mortgage loans was sold to MAS5 under mortgage sale agreements dated 8 June and 29 June 2007 (the **MAS5-GMAC-RFC Mortgage Sale Agreements**) (the **MAS5 Mortgages**).

On the Closing Date, the Issuer will acquire (subject to, in relation to the Scottish Mortgages, the Scottish Declaration of Trust (each as hereinafter defined) being executed), beneficial title to: (a) the mortgages referred to above owned by PFL pursuant to a mortgage sale agreement entered into with, among others, PFL, Britannia and the Trustee (the **PFL Mortgage Sale Agreement**), (b) the mortgages referred to above owned by Meerbrook 3 pursuant to a mortgage sale agreement entered into with, among others, Meerbrook 3, Britannia and the Trustee (the **Meerbrook 3 Mortgage Sale Agreement**) and (c) the mortgages referred to above owned by MAS5 pursuant to a mortgage sale agreement entered into with MAS5, Britannia and the Trustee (the **MAS5 Mortgage Sale Agreement**) and together with the PFL Mortgage Sale Agreement and the Meerbrook 3 Mortgage Sale Agreement the **Mortgage Sale Agreements** and the mortgages to be sold to the Issuer pursuant to the Mortgage Sale Agreements, are collectively referred to in this Prospectus as the **Mortgages**.

The representations and warranties given by PFL in relation to the Meerbrook 3 Mortgages were given at the date of transfer of each Meerbrook 3 Mortgage to Meerbrook 3 pursuant to the Meerbrook 3 Origination and Sale Agreement. Such warranties given by PFL will not be repeated by PFL to Meerbrook 3 on the Closing Date but the benefit of such warranties will be assigned to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement.

Meerbrook 3 will warrant to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement that, immediately prior to the transfer of the Meerbrook 3 Mortgages, it is the sole beneficial owner of the Meerbrook 3 Mortgages sold by it to the Issuer free from any encumbrance or security interest. No further warranties will be given by PFL or Meerbrook 3, the Issuer and the Trustee and no assurance can be given that as a result of any change in the circumstance or law since the date the warranties were given by PFL.

### Administration and Servicing

PFL (in respect of the PFL Mortgages and the Meerbrook 3 Mortgages) and MAS5 (in respect of the MAS5 Mortgages) will be appointed, under the terms of a mortgage administration agreement between the Issuer, PFL, Britannia, MAS5 and the Trustee dated on or about the Closing Date (the **Administration Agreement**), as agent for the Issuer and the Trustee to, *inter alia*, administer the Mortgages on behalf of the Issuer and the Trustee (in such capacity, PFL will be appointed, as the administrator of the PFL Mortgages and the Meerbrook 3 Mortgages, the **Principal Administrator** and MAS5 will be appointed as administrator of the MAS5 Mortgages, the **MAS5 Administrator**, together with PFL in its capacity as Principal Administrator, the **Administrators**). PFL will also be appointed under the Administration Agreement to provide cash management services on behalf of the Issuer and the Trustee (in such capacity,

the **Cash Manager**). In payment for the provision of services pursuant to the Administration Agreement, the Administrators and Cash Manager will receive a fee payable quarterly in arrear and calculated by reference to the outstanding principal balance of the Mortgages administered by it on the last day of each calendar month commencing in the immediately preceding Collection Period. The obligations of the Administrators and Cash Manager under the Administration Agreement will be guaranteed by Britannia. The Administration Agreement will provide that the Administrators may delegate all or any of their obligations as administrators of the Mortgages administered by them and, in the case of PFL, as Cash Manager, subject to and in accordance with the terms thereof. The Administrators will delegate certain of their obligations to Western Mortgage Services Limited (**WMS** or the **Sub-Administrator**) pursuant to the terms of a sub-administration agreement between Platform Home Loans Limited (**PHL**), the Administrators, BBS and WMS dated on or about the Closing Date (the **Sub-Administration Agreement**). WMS may act in the name of PHL pursuant to the Sub-Administration Agreement. The appointment of the Administrators may be terminated by the Issuer (with the prior written consent of the Trustee) or the Trustee on the happening of certain events of default or insolvency on the part of PFL, MAS5 or the Issuer (with the prior written consent of the Trustee) with twelve months' written notice in the absence of any such events. The Administration Agreement will provide that if the appointment of the Administrators thereunder is terminated, a substitute administrator or administrators with experience of administering mortgages of residential property in the United Kingdom will be appointed by the Issuer and the Trustee on substantially the same terms as those contained in the Administration Agreement upon a Ratings Test having been satisfied. If the substitute administrator is not a directly or indirectly wholly owned subsidiary of Britannia, the guarantee by Britannia of the obligations of such replaced Administrator will terminate.

### **The Trustee**

The Trustee will be appointed pursuant to a trust deed to be entered into on or about the Closing Date between the Issuer and the Trustee (the **Trust Deed**) to represent the interests of the holders of the Notes. The Trust Deed will provide that any retirement or removal of a trustee shall not become effective unless there is a suitable trustee in office after such removal or retirement. In the event of the sole trustee giving notice of its intention to retire, the Issuer shall use its reasonable endeavours to procure that a suitable new trustee is appointed. If the Issuer has not appointed a new trustee prior to the expiry of the notice period given by the Trustee, the Trustee shall be entitled to nominate a suitable replacement. The Trustee will hold the security granted by the Issuer under the Deed of Charge for the benefit of the Secured Creditors. See further "*Summary Information – Security for the Notes*" below.

### **Paying Agency Agreement**

On or about the Closing Date, the Issuer, the Trustee, HSBC Bank plc (in its capacity as **Principal Paying Agent, Transfer Agent, Registrar** and **Agent Bank**) will enter into an agreement (the **Paying Agency Agreement**). Pursuant to the Paying Agency Agreement, the Registrar agrees to provide its services in relation, *inter alia*, to the delivery and authentication of the Notes in global and definitive forms, the cancellation of the Notes and the annotation of the Notes when they are exchanged from global note form to definitive note form. The Principal Paying Agent will also agree to remit payments due under the Notes. The Agent Bank will, *inter alia*, agree to determine and publish the rate of interest applicable to the Notes. The Paying Agency Agreement provides that the Issuer may (with the prior written approval of the Trustee) revoke its appointment of any of the Principal Paying Agent, the Transfer Agent, the Agent Bank or the Registrar (together the **Agents**) by not less than 30 days' notice to such Agent (provided that in the case of the Principal Paying Agent such revocation shall not take effect until a successor has been duly appointed in accordance with the provisions of the Paying Agency Agreement and notice of such appointment has been given to the Noteholders). In addition, the appointment of an Agent shall automatically terminate upon the occurrence of certain events of insolvency or if the Agent becomes incapable of acting. The Issuer may (with the prior written approval of the Trustee) appoint successor Agents in accordance with the terms of the Paying Agency Agreement.

## Master Framework Agreement

On or about the Closing Date, the Issuer and the Trustee will enter into the Master Framework Agreement. The agreement contains, *inter alia*, a master definitions schedule, common terms, representations and warranties, covenants and other provisions which are incorporated into all or some of the documents relating to the transaction and further described therein.

## Subordinated Loan

On or prior to the Closing Date, Britannia (in such capacity, the **Subordinated Loan Provider**) will grant a Sterling subordinated loan to the Issuer made up of two tranches, Tranche A and Tranche B (the **Subordinated Loan**) pursuant to an agreement (the **Subordinated Loan Agreement**) between the Issuer, the Subordinated Loan Provider, the Cash Manager and the Trustee. On the Closing Date, the Issuer will draw under Tranche A an amount equal to £395,808,374.14 (the **Tranche A Sub Loan Drawing**). Also on the Closing Date the Issuer will draw under Tranche B an amount (the **Tranche B Sub Loan Drawing**) equal to 5.00 per cent. of the sum of the aggregate Principal Amount Outstanding (as defined in the Conditions) of the Notes and the Tranche A Sub Loan Drawing, in each case, on the Closing Date (the **Required Amount**).

## Required Amount

The cash reserve constituted by the Required Amount will be funded by the Tranche B Sub Loan Drawing under the Subordinated Loan Agreement in an amount equal to 5.00 per cent. of the aggregate initial Principal Amount Outstanding of the Notes and the Tranche A Sub Loan Drawing, in each case, on the Closing Date (the **Required Amount**) as further described in the section entitled "*Credit Structure – Required Amount*" below.

## Discount Reserve

On or prior to the Closing Date, Britannia (in such capacity, the **Discount Reserve Loan Provider**) will grant a subordinated loan to the Issuer (the **Discount Reserve Loan**) pursuant to the discount reserve loan agreement (the **Discount Reserve Loan Agreement**) between the Issuer, the Discount Reserve Loan Provider, PFL (in its capacity as Cash Manager) and the Trustee.

On the Closing Date, the Issuer will draw under the Discount Reserve Loan an amount (the **Discount Reserve Amount**) to constitute a reserve to cover potential shortfalls in income associated with Discounted Mortgages as described under "*Credit Structure – Discount Reserve*" below (the **Discount Reserve**). Upon Britannia receiving appropriate regulatory approval, principal on the Discount Reserve Loan will be repayable in accordance with the Pre-Enforcement Interest Priority of Payments.

## Expenses Loan

On or about the Closing Date, Britannia, in its capacity as expenses loan provider (the **Expenses Loan Provider**) will grant a Sterling loan facility to the Issuer up to a maximum of £3,000,000 (the **Expenses Loan**) to fund certain of its transaction expenses pursuant to an agreement (the **Expenses Loan Agreement**) between the Issuer, the Expenses Loan Provider and the Trustee. On or about the Closing Date, the Issuer will draw down amounts under the Expenses Loan to fund the expenses incurred by it on and prior to the Closing Date (the **Initial Expenses Amount**). Such drawings will be paid (1) into the Britannia GIC Account or (2) as otherwise directed by the Issuer to pay certain fees on the Closing Date. Any amounts drawn under the Expenses Loan will be repaid in accordance with the Expenses Loan Agreement on each Interest Payment Date, subject to the availability of funds in accordance with the Pre-Enforcement Interest Priority of Payments (see further the section entitled "*Credit Structure – Pre-Enforcement Interest Priority of Payments*").

## Hedging

The Provisional Pool consists of:

- (a) 38.87 per cent. of the Mortgages which are LIBOR-linked mortgages where the applicable rate of interest for each mortgage loan (the **Mortgage Rate**) is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR (the **LIBOR-Linked Mortgages**), including:
  - (i) 3.87 per cent. of the Mortgages where the Mortgage Rate is discounted for a specific period and reverts to the full Mortgage Rate, with the latest date of reversion being November 2010 (the **LIBOR Discount Mortgages**);
  - (ii) 34.36 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Mortgage Rate, with the latest date of reversion being December 2010 (the **Fixed Reverting to LIBOR Mortgages**); and
  - (iii) 0.64 per cent. of the Mortgages which are linked to LIBOR for the life of the mortgage (the **LIBOR Mortgages**).

The Mortgage Rate payable under the LIBOR-Linked Mortgages is calculated as a specified margin, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about (A) the 1st day of March, June, September and December of each year (**PFL Mortgage LIBOR**) and (B) the 12th day of March, June, September and December of each year (**MAS5 Mortgage LIBOR**) and together with PFL Mortgage LIBOR, the **Relevant LIBOR**).

- (b) 61.05 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (the **Base Rate Mortgage Rate**) that is based on the Bank of England's base rate (the **Base Rate** and the **Base Rate Mortgages**) plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, including:
  - (i) 16.37 per cent. of the Mortgages where the Base Rate Mortgage Rate is discounted for a specific period and reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being December 2010 (the **Base Rate Tracker Discount Mortgages**);
  - (ii) 38.19 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Base Rate Mortgage Rate, with the latest date of reversion being November 2012 (the **Fixed Reverting to Base Rate Tracker Mortgages**); and
  - (iii) 6.49 per cent. of the Mortgages which are linked to Base Rate for the life of the mortgage (the **Base Rate Tracker Mortgages**).
- (c) 0.08 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate that is based on the Base Rate (the **Variable Standard Rate Mortgages**). The Variable Standard Rate Mortgages will, however, not be hedged under the Swap Agreements.

### ***Interest Rate Hedging***

In order to hedge the interest rate risks associated with the fixed rate portions of the Fixed Reverting to LIBOR Mortgages and the Fixed Reverting to Base Rate Tracker Mortgages, short-dated interest rate swap transactions entered into:

- (i) by RBS (in such capacity, the **Interest Rate Swap Counterparty**) and Britannia (on behalf of PFL);
- (ii) by the Interest Rate Swap Counterparty and Meerbrook 3;
- (iii) by the Interest Rate Swap Counterparty and Britannia (on behalf of MAS5),

(together the **Interest Rate Swap Transactions**), will be novated to the Issuer on the Closing Date. In relation to the Interest Rate Swap Transactions in paragraphs (i) and (ii) in this definition, the Interest Rate Swap Transactions are based on fixed notional amounts and reflect the periods for which the interest rates



payable on the relevant mortgages are fixed. Under these transactions, the Interest Rate Swap Counterparty will swap interest amounts received from the relevant mortgages into a floating rate equal to PFL Mortgage LIBOR. In relation to the Interest Rate Swap Transactions in paragraph (iii) of this definition, the Interest Rate Swap Transactions are based on amortising notional amounts and reflect the periods for which the interest rates payable on the relevant mortgages are fixed. Under these transactions, the Interest Rate Swap Counterparty will swap interest amounts received from the relevant mortgages into amounts calculated by reference to a floating rate equal to 1 month Sterling LIBOR calculated on a monthly basis, but accrued and paid on a quarterly basis.

The Issuer has the right at any time after giving notice to the Interest Rate Swap Counterparty to reduce the notional amounts of the Interest Rate Swap Transactions. If the Issuer exercises this right to terminate any Interest Rate Swap Transactions, a termination payment may be payable by the Interest Rate Swap Counterparty or by the Issuer.

### ***Basis Swaps***

In order to hedge the interest rate risk arising by virtue of the difference between the Relevant Mortgage LIBOR and 3 Month Sterling LIBOR (as defined in the Conditions), the Issuer will on the Closing Date enter into two interest rate basis swap transactions (the **Basis Swap Transactions**) with a suitably rated swap counterparty, which is expected to be JPMorgan Chase Bank, National Association (in such capacity, the **Basis Swap Counterparty**). Under the Basis Swap Transactions, the Issuer and the Basis Swap Counterparty will make payments to each other based on the aggregate principal balance of:

- (i) under the Basis Swap Transaction relating to the PFL Mortgages and the Meerbrook 3 Mortgages, (A) all the LIBOR-Linked Mortgages; and (B) all of the Fixed Reverting to Base Rate Tracker Mortgages (so long as they are still fixed rate) in the Mortgage Pool (the **PFL Basis Swap Mortgages**) at the end of the calendar month which is prior to the month immediately prior to the commencement of each Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months;
- (ii) under the Basis Swap Transaction relating to the MAS5 Mortgages, all the LIBOR-Linked Mortgages excluding the Fixed Reverting to LIBOR Mortgages prior to the date of reversion (the **MAS5 Basis Swap Mortgages** and together with the PFL Basis Swap Mortgages, the **Basis Swap Mortgages**) at the end of the calendar month which is prior to the month immediately prior to the commencement of each Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months.

The first Interest Period will not be hedged by the Basis Swap Transactions.

The Issuer will not be required to gross up for any withholding tax on payments made under the Basis Swap Transactions or the Interest Rate Swap Transactions.

The Interest Rate Swap Transactions and the Basis Swap Transactions are together referred to in this document as the **Swap Agreements** and individually referred to as a Swap Agreement. The Interest Rate Swap Counterparty and the Basis Swap Counterparty are together the Swap Counterparties and each a Swap Counterparty.

### **Downgrade of Swap Counterparty**

If, at any time, the rating of a Swap Counterparty (or, if applicable, its guarantor or Credit Support Provider (as defined in the Swap Agreements)) falls below the Minimum Ratings (as defined below), then the Swap Counterparty will be required to take certain remedial measures as set out in the relevant Swap Agreement but which may include:

- (a) obtaining a guarantee or other support of its obligations under the relevant Swap Agreement from a third party with the Minimum Ratings in an acceptable form and substance to the Rating Agencies;

- (b) transferring all of its obligations under the Swap Agreement to a replacement third party with the Minimum Ratings (subject to, and in accordance with, the provisions of the Swap Agreements);
- (c) the Ratings Test (as defined in the Terms and Conditions) in relation to the Swap Counterparty's rating has been satisfied; or
- (d) providing collateral in support of its obligations under the Swap Agreements.

"**Minimum ratings**" means, with respect to the unsecured and unsubordinated debt obligations of a Swap Counterparty (or, if applicable, its Credit Support Provider):

- (a) (i) a short-term rating of P-1 and a long-term rating of A2 by Moody's, or (ii) if a Moody's short-term rating is not available, a long term rating of A1 by Moody's;
- (b) a short-term rating of F1 or a long term rating of A by Fitch; or
- (c) a short term rating of A-1 by S&P or, if a short-term rating is not available from S&P, a long-term rating of either A+ (if the Swap Counterparty is not a financial institution) or A- (if the Swap Counterparty is a financial institution) by S&P.

If, at any time, the rating of a Swap Counterparty falls below a further rating level specified in the relevant Swap Agreement, the remedial measures available to the Swap Counterparty may be more limited.

In the event that the Interest Rate Swap Counterparty posts collateral in respect of its obligations under the Interest Rate Swap Transactions, that collateral will be credited to a separate swap collateral account. Amounts standing to the credit of such account will be applied solely in returning collateral directly to, or in satisfaction of amounts owing by or to the Interest Rate Swap Counterparty in accordance with the terms of the Interest Rate Swap Transactions and the credit support annex entered into in connection with the Interest Rate Swap Transactions.

In the event that the Basis Swap Counterparty posts collateral in respect of its obligations under the Basis Swap Transactions, that collateral will be credited to a separate swap collateral account. Amounts standing to the credit of such account will be applied solely in returning collateral directly to, or in satisfaction of amounts owing by or to the Basis Swap Counterparty in accordance with the terms of the Basis Swap Transactions and the credit support annex entered into in connection with the Basis Swap Transactions.

## **Guaranteed Investment Contracts**

### ***Britannia GIC Agreement***

In accordance with the Administration Agreement, PFL (in its capacity as Cash Manager), on behalf of the Issuer, will deposit any cash amounts up to the Britannia GIC Limit (as defined below) which it receives from the Collection Accounts, the Initial Expenses Amount net of certain fees and expenses, the Required Amount, the Discount Reserve Amount and any payments received under the Swap Agreements into an account of the Issuer maintained at Britannia (the **Britannia GIC Account**) which is the subject of an agreement between, *inter alia*, the Issuer, the Trustee and Britannia dated on or about the Closing Date (the **Britannia GIC Agreement**). The maximum cash amount which may from time to time be deposited by the Issuer in the Britannia GIC Account (the **Britannia GIC Limit**) will be:

- (a) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated F1+ in the case of Fitch, P-1 in the case of Moody's and A-1+ in the case of S&P (the **GIC Minimum Rating**) an unlimited amount;
- (b) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated lower than the GIC Minimum Rating but are rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, an amount equal to the aggregate of (A) 20 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes and the Tranche A Sub Loan Drawing; and (B) the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account

provided by an entity whose short term and unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating; or

- (c) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are not rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's P-1; and (iii) in the case of S&P, A-1, the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating (as to which see further "*Summary Information – GIC Guarantee*" below) or, if no such guarantee is in force, zero.

### ***GIC Guarantee***

Pursuant to an agreement dated on or about the Closing Date (the **GIC Guarantee**) between, *inter alia*, the Issuer, Britannia, RBS (the **GIC Guarantor**) and the Trustee, the GIC Guarantor will guarantee the performance of Britannia's payment obligations under the Britannia GIC Agreement up to a limit of £5,000,000 (the **Britannia GIC Guarantee Limit**) until the earlier of (i) the Notes being redeemed in full and (ii) the Interest Payment Date falling in June 2013 and, thereafter zero. Notwithstanding this, the GIC Guarantee will only remain in place to the extent that there are Notes outstanding. If the GIC Guarantor ceases to be rated the GIC Minimum Rating it will be obliged to transfer, or to obtain a guarantee of, its obligations under the GIC Guarantee or take such further action as is needed in order to maintain the then current ratings of the Notes.

### ***RBS GIC Agreement***

If cash amounts received by the Issuer exceed the Britannia GIC Limit, PFL (in its capacity as Cash Manager) will be obliged, pursuant to the Administration Agreement, to deposit the amount of any such surplus which it receives in an account of the Issuer maintained at RBS (the **RBS GIC Account**, and together with the Britannia GIC Account, the **GIC Accounts**, and the GIC Account in which such cash amounts are deposited, the **Relevant GIC Account**) pursuant to the terms of an agreement entered into between, *inter alia*, the Issuer, the Trustee and RBS dated on or about the Closing Date (the **RBS GIC Agreement** and together with the Britannia GIC Agreement, the **GIC Agreements**) or (if RBS is not at such time or ceases to be rated at least the GIC Minimum Rating) a similar account with another entity rated at least the GIC Minimum Rating.

### ***The Notes***

The £1,489,000,000 Mortgage Backed Floating Rate Notes due 2039, will be issued subject to the provisions of, and have the benefit of, the Trust Deed and will share in the same security. The Notes will rank in point of security and as to payment of principal and interest as described further in "*Credit Structure – Subordination*" and "*Terms and Conditions of the Notes – Status, Ranking and Security*" below. Interest will be payable on the Notes in arrear as described in Condition 5 ("*Interest*").

### ***Redemption and Purchase***

#### ***(a) Optional Early Redemption of Notes***

The Issuer may, at its option, redeem all (but not some only) of the Notes in full on any Interest Payment Date: (i) falling on or after the Step-Up Date; or (ii) on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10.0 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes on the Closing Date. (See further Condition 6(d), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes*").) For the avoidance of doubt, the Issuer is not obliged to redeem the Notes under Condition 6(d) and there can be no guarantee that it will do so.

#### ***(b) Optional Redemption for Tax Reasons***

The Issuer is entitled to redeem on any Interest Payment Date the Principal Amount Outstanding together with accrued interest of all (but not some only) of the Notes then outstanding if: (i) there is any withholding

tax imposed in relation to payments to be made on the Notes or under any of the Swap Agreements; (ii) the Issuer is no longer entitled to relief for tax purposes on payments under any of the Swap Agreements and would as a result be subject to an increased liability to taxation for any accounting period; or (iii) following a change in tax law or the application or official interpretation thereof, the amounts payable to the Issuer in respect of the interest from Borrowers under the Mortgages cease to be receivable in full, subject to the provisions set out in Condition 6(e), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes for Tax Reasons*").

**(c) Mandatory Redemption in Part**

Prior to enforcement of the security for the Notes, the Notes will be subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 6(b), ("*Redemption, Purchase and Cancellation – Mandatory Redemption in Part*").

**(d) Final Redemption**

Unless previously redeemed and cancelled in full or purchased following exercise of the Post-Enforcement Call Option (see further sub-paragraph (f) immediately below), and cancelled in full, the Notes will mature on the Interest Payment Date falling in December 2039 (the **Maturity Date**).

**(e) Purchases of Notes**

The Issuer shall not be entitled to purchase any Notes in the market. However, pursuant to the Post-Enforcement Call Option (see further sub-paragraph (f) immediately below), Leek Finance Holdings Number Twenty Limited (**Holdings**) may purchase all (but not some only) of the outstanding Notes in the circumstances described below.

**(f) Purchase of the Notes pursuant to Post-Enforcement Call Option in favour of Holdings**

The Trustee will, on the Closing Date, grant to Holdings an option (the **Post-Enforcement Call Option**) pursuant to a deed (the **Post-Enforcement Call Option Deed**) to purchase all (but not some only) of the Notes then outstanding (plus accrued interest thereon) for a consideration of one penny per Note, outstanding on the date, following any enforcement of the security for the Notes, on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the Notes and after the application of any such proceeds to the Notes, to pay any further amounts due in respect of the Notes. The Noteholders are bound by the terms of the Post-Enforcement Call Option granted to Holdings pursuant to the terms and conditions of the Trust Deed and by the Conditions. The Trustee will be authorised pursuant to the Trust Deed to enter into the Post-Enforcement Call Option Deed on behalf of the Noteholders.

**Withholding Tax**

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts or to gross-up in relation thereto. The applicability of any United Kingdom withholding taxes is discussed under "*Taxation*" below.

**Security for the Notes**

Pursuant to a deed of charge to be entered into between, *inter alia*, the Issuer and the Trustee (the **Deed of Charge**) on or about the Closing Date, the Notes will be secured by, *inter alia*:

- (i) a first fixed charge over the Issuer's right, title, interest and benefit in the Mortgages, other than the Scottish Mortgages (as defined below), and certain collateral security;
- (ii) an assignment in security of the Issuer's interest in the Mortgages secured by way of standard security over residential properties located in Scotland (the **Scottish Mortgages**) (comprising the Issuer's beneficial interest under the trust over the Scottish Mortgages (the **Scottish Declaration of Trust**), the Loans secured thereby and certain collateral security relative to those

Mortgages declared by PFL in favour of the Issuer pursuant to the PFL Mortgage Sale Agreement);

- (iii) an assignment by way of security of the Issuer's interest in certain insurance contracts so far as they relate to the Mortgages (in so far as such interests are capable of assignment);
- (iv) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest, present and future in the Transaction Documents other than the Notes and the Trust Documents (each as defined in the Conditions);
- (v) a first fixed charge over the Issuer's interest in the GIC Accounts and any other bank account of the Issuer from time to time and the debts represented thereby (which, in either case, may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
- (vi) a floating charge over all the present and future assets and undertaking of the Issuer not subject to the fixed charges or assignments by way of security as described above but extending over all the assets and undertaking of the Issuer situated in, or otherwise governed by, the laws of Scotland,

(the Security, being further described in "*Terms and Conditions of the Notes – Status, Ranking and Security*" below).

## RISK FACTORS

*Prospective Noteholders should consider, amongst other things, the following risk factors in connection with the Notes. The following risk factors are not intended to be exhaustive, although material risk factors have been included, and prospective Noteholders should read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.*

### Credit Structure

#### *Liabilities under the Notes*

The Notes will be obligations and responsibilities 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, Britannia, Meerbrook 3, MAS5, PFL, WMS or any other Britannia Group Company, NatWest, JPMorgan, JPMCB and RBS in any capacity (including that of Co-Arranger), any Swap Counterparty, the Paying Agents, the Agent Bank, the Trustee (together, the **Excluded Parties**). 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 Excluded Parties.

#### *Limited Resources*

The ability of the Issuer to meet its obligations under the Notes will be dependent on funds being received under, *inter alia*, the Mortgages, the Swap Agreements, (excluding, prior to the enforcement of the Security, any amounts paid as collateral in connection with the Swap Agreements), the interest paid under the GIC Accounts, proceeds received by the Issuer or by PFL on its behalf under certain insurance contracts in respect of the Mortgages and the Required Amount.

In the event that the Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Notes pursuant to the Deed of Charge, to pay in full all amounts of principal and interest and any other amounts whatsoever due in respect of the Notes, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts. Enforcement of the Security is the only remedy available for the purpose of recovering amounts owed in respect of the Notes.

#### *Income and Principal Shortfalls*

If there is insufficient Applied Income and Applied Principal (each as defined in Condition 1) available to the Issuer to meet its obligations on any Interest Payment Date, then the Issuer's interest and other net income may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes.

#### *Limited Secondary Market for Mortgages*

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Mortgages are still outstanding, may depend upon whether the Mortgages can be realised to obtain an amount sufficient to redeem the Notes. There is not, at present, an active and liquid secondary market for mortgage loans of this type in the United Kingdom. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes. To date, no person has indicated that they intend to establish a secondary market in the Notes. See further the section entitled "*Notice to Investors*" below. The Issuer, and following the occurrence of an Event of Default, the Trustee, may not, therefore, be able to sell the Mortgages on appropriate terms should they be required to do so.

#### *Marketability of the Notes*

Application has been made to list the Notes on the Official List of the UK Listing Authority and for admission to trading with the London Stock Exchange. However, the Notes will be new securities for which there is no established trading market. There can be no assurance that a secondary market for the

Notes will develop or, if a secondary market does develop, that it will provide holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future.

#### *Interest Rate and Basis Risk on the Notes*

In order to address the interest rate risks associated with the fixed rate portions of the Fixed Reverting to Base Rate Tracker Mortgages and the Fixed Reverting to LIBOR Mortgages, the Interest Rate Swap Transactions will be novated to the Issuer on the Closing Date. Under the Interest Rate Swap Transactions in respect of Fixed Reverting to LIBOR Mortgages purchased from MAS5 (for so long as they remain fixed), the Issuer will receive from the counterparty amounts calculated by reference to 1 Month Sterling LIBOR (calculated on a monthly basis, but accrued and paid on a quarterly basis). The interest rate risk arising by virtue of the difference between 1 Month Sterling LIBOR and 3 Month Sterling LIBOR (as defined in the Conditions) will not be hedged.

The interest rate payable under LIBOR-Linked Mortgages is calculated as a specified margin, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about the 1st day of March, June, September and December of each year (in respect of the Mortgages originated by PFL) as well as on or about the 12th day of March, June, September and December of each year (in respect of the MAS5 Mortgages) and the interest rate payable under the Base Rate Mortgages is calculated by reference to the Base Rate, in each case which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under such a Mortgage as a result of increases in LIBOR for three month sterling deposits or the Base Rate (as applicable).

3 Month Sterling LIBOR is not calculated on the same dates as the Relevant Mortgage LIBOR. In order to address the interest rate risk arising by virtue of the difference between 3 Month Sterling LIBOR and the Relevant Mortgage LIBOR, the Issuer will enter into the Basis Swap Transactions on the Closing Date. Basis risk associated with the floating rate portions of the Base Rate Mortgages, however, will not be hedged. In addition, interest rate risks associated with the Fixed Reverting to LIBOR Mortgages purchased from MAS5 (for so long as they remain fixed) arising by virtue of the difference between 1 Month Sterling LIBOR and 3 Month Sterling LIBOR will not be hedged under the Basis Swap Transactions.

There can be no assurance that the Swap Agreements will adequately address all hedging risks. A failure by the Issuer to make timely payments of amounts due under any Swap Agreement will constitute a default thereunder and entitle the Swap Counterparty to terminate the relevant Swap Agreement as described below. To the extent that the Swap Counterparty is not obliged to provide, or otherwise defaults in its obligations to provide, the Issuer with an amount equal to the full amount due under the relevant Swap Agreement the Issuer may have insufficient funds to make payments due on the Notes.

Each Swap Agreement will provide that, upon the occurrence of certain events, the Swap Agreement may terminate and a termination payment by either the Issuer or the relevant Swap Counterparty may be payable. For example, if the Issuer becomes obliged to withhold tax from any payment due by it under any Swap Agreement, such tax will be withheld and paid over to the relevant authorities and the Issuer will not be obliged to gross up its payment to the Swap Counterparty. In the event of an imposition of any tax on any payment due by a Swap Counterparty to the Issuer under a Swap Agreement, the Swap Counterparty will be obliged to gross up for the tax so withheld. However, if any such withholding or deduction is required, which cannot be avoided by both parties using reasonable efforts to avoid such withholding or deduction, the Swap Counterparty may terminate the relevant Swap Agreement whereupon, in accordance with accepted market practice, the cost (if any) to the Issuer of entering into a replacement transaction, which would have the effect of preserving the economic equivalent of all future payments which would otherwise have been due, will be calculated and a settlement payment made. Any such payment by the Issuer (if

applicable) will rank *pari passu* with the payments of interest on the Notes. Any termination payment due from the Issuer under the Interest Rate Swap Transactions or the Basis Swap Transactions (except where such termination arises as a result of a default by a Swap Counterparty) will rank *pari passu* with payments due to the Noteholders. Payments of such amounts to a Swap Counterparty (as described below) may reduce funds that would otherwise be available to make payments on the Notes.

The Issuer will have available to it, *inter alia*, amounts paid to it by Borrowers under the Mortgages (together with the amount of any termination payment, if any, due to it under a Swap Agreement) to acquire a replacement swap or (together with the amount of any payment made to it by a Swap Counterparty) to make a termination payment under a Swap Agreement. No assurance can be given, however, that the Issuer will thereafter have sufficient funds available to it to make subsequent payments in respect of the Notes.

No assurance can be given as to the ability of the Issuer to enter into a replacement swap, or if one is entered into, as to the credit rating of the replacement swap counterparty.

#### *Market Disruption*

The Rate of Interest in respect of the Notes for each Interest Period will be the aggregate of the Relevant Margin and 3 Month Sterling LIBOR determined in accordance with Condition 5(c). Condition 5(c)(ii) contains provision for the calculation of such underlying rates based on rates given by various market information sources, and Condition 5(c)(iii) contains an alternative method of calculating the underlying rate should those market information sources be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

#### ***Risks Associated with Rising Mortgage Interest Rates***

The interest rate payable under certain of the Mortgages is calculated by reference to the Relevant Mortgage LIBOR or the Base Rate, which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under a Mortgage as a result of an increase in the Relevant Mortgage LIBOR or the Base Rate (as applicable).

#### *Yield and Prepayment Considerations*

The yield to maturity of the Notes will depend on, *inter alia*, the amount and timing of payments of principal on the Mortgages and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgages.

Prepayments on the Mortgages may result from refinancings, voluntary sales of properties by Borrowers, as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds from buildings insurance and pension policies. In addition, purchases of Mortgages required to be made under the Mortgage Sale Agreements following a breach of warranty will have the same effect as a prepayment of such Mortgages.

The rate of prepayment of the Mortgages cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Pool will experience. See further the section entitled "*Weighted Average Lives of the Notes*" below.

#### *Certain material interests*

Certain of the Co-Arrangers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Britannia and its affiliates in the ordinary course of business. JPMorgan and RBS are acting as Co-Arrangers and, in addition to acting as a Co-Arranger, RBS will also act as the Interest Rate Swap Counterparty under the Interest Rate



Swap Transactions, the GIC Provider under the RBS GIC Agreement and the GIC Guarantor under the GIC Guarantee. JPMCB will act as Basis Swap Counterparty under the Basis Swap Transactions. Other parties to the transaction may also perform multiple roles, including Britannia, who will act as guarantor of the obligations of the Administrators under the Administration Agreement and of the obligations of the Relevant Purchasers under the Put Option, maintain the Britannia GIC Account, and shall also act as the Subordinated Loan Provider and as the Expenses Loan Provider.

The Master Framework Agreement provides that nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this transaction; and/or
- (c) carrying out other transactions for third parties.

## **The Mortgages**

### *Borrowers*

The portfolio of Mortgages from time to time (the **Mortgage Pool**) may include loans made to (i) Borrowers who may previously have been subject to a County Court Judgment, Northern Irish Small Claims Court, County Court or High Court Judgment or a Scottish Court decree for payment, an Individual Voluntary Arrangement (an **IVA**) or a Bankruptcy Order (a **BO**); (ii) Borrowers in Scotland who have been sequestrated; (iii) Borrowers who are self-employed; (iv) Borrowers considered by bank and building society lenders to be non-conforming borrowers; and (v) Borrowers who are not owner occupiers. These loans have been underwritten generally in accordance with underwriting standards described in "*The Mortgage Pool – Lending Guidelines*". These underwriting standards consider, among other things, a mortgagor's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property.

However, loans made to non-conforming borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have historically been experienced by loans made to typical "A" rated borrowers. In addition, there can be no assurance that loans with higher loan-to-value ratios will not experience higher rates of delinquency, enforcement and bankruptcy than loans with lower loan-to-value ratios.

### *Warranties*

Neither the Issuer, the Trustee, JPMCB nor either of the Co-Arrangers has undertaken or will undertake any investigations, searches or other due diligence in respect of the Mortgages, and each will rely instead on, *inter alia*:

- (i) the benefit of the warranties given by PFL to the Issuer under the PFL Mortgage Sale Agreement;
- (ii) the benefit of warranties given by PFL to Meerbrook 3 pursuant to the Meerbrook 3 Origination and Sale Agreement that will be assigned to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement on or about the Closing Date; and
- (iii) the benefit of the warranties given by MAS5 to the Issuer under the MAS5 Mortgage Sale Agreement.

The sole remedy (save as described below) of each of the Issuer and the Trustee in respect of an unremedied breach of warranty (see further the section entitled "*The Mortgage Pool – Warranties and Breach of*

*Warranties*") shall be the requirement (subject to certain provisions as to materiality, at the discretion of the Trustee), that PFL (in respect of the PFL Mortgages and Meerbrook 3 Mortgages) or MAS5 (in respect of the MAS5 Mortgages) or any other subsidiary from time of Britannia, as Britannia may elect as the purchaser of the Mortgages (a **Relevant Purchaser**), purchases any Mortgage which is the subject of the relevant unremedied breach. The obligation of a Relevant Purchaser to purchase certain Mortgages following a breach of warranty is guaranteed by Britannia under the Meerbrook 3 Mortgage Sale Agreement and such guarantee, in so far as it relates to the Meerbrook 3 Mortgages will be assigned to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement.

The representations and warranties given by PFL in relation to each Meerbrook 3 Mortgage were given at the date of transfer of each Meerbrook 3 Mortgage to Meerbrook 3 pursuant to the Meerbrook 3 Origination and Sale Agreement.

Such warranties given by PFL will not be repeated by PFL or Meerbrook 3 on the Closing Date but the benefit of such warranties will be assigned to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement. Meerbrook 3 will warrant to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement that immediately prior to the transfer of the Meerbrook 3 Mortgages, it is the sole beneficial owner of the Meerbrook 3 Mortgages sold by it to the Issuer free from any encumbrance or security interest. No further warranties in relation to the PFL Mortgages or the Meerbrook 3 Mortgages will be given by PFL or Meerbrook 3 (as applicable) to the Issuer and the Trustee and no assurance can be given that as a result of any change in circumstance or law since the date the warranties were given by PFL pursuant to the Meerbrook 3 Origination and Sale Agreement would still be true if the same were given on the Closing Date.

#### *Enforcement*

Costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer. For further detail in relation to the enforcement process and related risks applicable to English, Scottish and Northern Irish Mortgages, see further the sections entitled "*The Mortgage Pool – Enforcement Procedures – English Loans*", "*The Mortgage Pool – Enforcement Procedures – Scottish Loans*" and "*The Mortgage Pool – Enforcement Procedures – Northern Irish Loans*" below.

#### *Administration of the Mortgages*

Pursuant to the Administration Agreement, each of PFL and MAS5 has the right to sub-delegate certain of its obligations as Administrator. PFL and MAS5 will each on the Closing Date sub-delegate certain of its obligations as Administrator in respect of the Mortgages to the Sub-Administrator. Notwithstanding any sub-delegation of the whole or any part of any of its Administrator's duties under the Administration Agreement, the applicable Administrator will not be released from its obligations thereunder. The obligations of PFL and MAS5 as Administrators will be guaranteed by Britannia pursuant to the Administration Agreement. If the appointment of either Administrator is terminated (which would result in the termination of any related appointment or administrators of the Sub-Administrator), the Issuer and the Trustee have undertaken to appoint a substitute administrator with experience of administering mortgages of residential property in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the Administration Agreement and a Ratings Test having been satisfied. No assurance can be given that upon termination of the appointment of an Administrator, the Issuer and the Trustee will be able to appoint a suitable substitute administrator.

#### *Collectability of Amounts Due under the Mortgages*

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

delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgages.

In addition, the ability of the Issuer to dispose of a property, in the event of enforcement against a Borrower, at a price sufficient to repay the amounts outstanding under the relevant Mortgages will depend upon the availability of buyers for that property.

#### *Risks of Losses Associated with Declining Property Values*

The security for the Notes consists of, *inter alia*, the Issuer's interest in the Mortgages. The value of the security may be affected by, among other things, a decline in property values. No assurance can be given that values of the properties have remained or will remain at the level at which they were at on the dates of origination of the related Mortgages.

If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders if that security is required to be enforced.

During 2007 and early 2008 the rate of house price inflation fell as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on household finances, higher interest rates and the effect of the continuing global market volatility that began in the summer of 2007. Should house prices continue to decline, Borrowers may have insufficient equity to refinance their mortgage loans with lenders or to repay their mortgages on disposal of the property. This could lead to higher delinquency rates and losses.

#### *Risk of Losses Associated with Interest Only Loans*

Approximately 66.35 per cent. of the mortgages in the Provisional Pool (or 73.29 per cent. by value) constitute **Interest Only Loans**. Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a "bullet" repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower's ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time.

Although a low interest rate environment may facilitate the refinancing of an Interest Only Loan, the receipt and reinvestment by the holders of the Notes of the proceeds in such an environment may produce a lower return than that previously received in respect of the related Loan. Conversely, a high interest rate environment may make it more difficult for the Borrower to accomplish a refinancing and may result in delinquencies or defaults. Neither PFL nor MAS5 (as applicable) nor the Trustee will be obligated to provide funds to refinance any Loan, including Interest Only Loans. (See further "*Characteristics of the Provisional Pool*" below.)

#### *Risk Associated with Non-Owner Occupied Properties*

Approximately 21.25 per cent. of the mortgages in the Provisional Pool (or 18.03 per cent. by value) constitute Investment Home Loan Mortgages. As the Mortgages are secured over buy to let properties which are required to be let by the relevant Borrowers, the security for the Notes will also from time to time be affected by the condition of the private residential rental market in England and Wales, Scotland and Northern Ireland, and in particular, the condition of the private rental market within the various regional areas in England and Wales, Scotland and Northern Ireland, where the relevant Properties are located. The condition of the rental market will influence both the ability of Borrowers to find tenants and the amount of rental income which may be achieved by the relevant Borrower in any letting.

The Provisional Pool also contains Buy to Let mortgages originated as "House Plus" loans. The income earned by the Borrowers replaces rental yield as the means by which the loan is repaid and the Borrowers self certify their income to purchase a Property and are described further in *"PFL Lending Guidelines – House Plus"*.

It is a requirement that each Borrower uses best endeavours to ensure that the Property or Properties relating to that Borrower and comprised in the Mortgage Pool are let to suitable tenants on the open market. However, there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Mortgage is acquired by the Issuer or that each property will be tenanted throughout the life of the Mortgage, that the rental income achievable from the tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Mortgage during the life of the Mortgage, that the tenancies will be on market terms, that a tenant will always be able to pay their rent, and that a Borrower will always respect the terms of such tenancy relating to the maintenance of the relevant Property. However, the obligations of a Borrower to make payments under a Mortgage is without regard to whether the relevant Property is let and without regard to the amount of rent received from the relevant tenant.

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

#### *Geographic Concentration of Mortgaged Properties*

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. There are concentrations of properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See further the section entitled *"The Mortgage Pool – Characteristics of the Mortgage Pool"* below.

### **Certain Legal Considerations**

#### *Effect of Equitable Assignment*

The transfer of the beneficial title, with a right to call for the legal title, to the Meerbrook 3 Mortgages was obtained by Meerbrook 3 pursuant to the Meerbrook 3 Origination and Sale Agreement.

Pursuant to the Mortgage Sale Agreements, PFL, MAS5 and Meerbrook 3 respectively will transfer the beneficial title, with a right to call for the legal title, to the Mortgages to the Issuer on or about the Closing Date. Legal title in the Mortgages as of the Closing Date will continue to be vested in PFL (in respect of the PFL Mortgages and the Meerbrook 3 Mortgages), and MAS5 (in respect of the MAS5 Mortgages), on trust for the Issuer.

The consequence of the assignment or transfer of the Mortgages (other than the Scottish Mortgages, as to which see below) taking effect in equity only is that the rights of the Issuer and the Trustee may be, or may become, subject to equities, as well as to the interests, of third parties who perfect a legal interest prior to the Issuer or the Trustee acquiring and perfecting a legal interest (such as, in the case of Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or Trustee's interest or, in the case of Mortgages over registered land, a third party acquiring a legal interest by registration prior to the registration of the Issuer's or the Trustee's interests). Furthermore, the

Issuer's and the Trustee's interests will be subject to equitable interests of third parties which may rank in priority to their interests in accordance with the normal rules governing the priority of equitable interests in the case of both registered and unregistered land. The legal effect of declaring the Scottish Declaration of Trust in respect of the Scottish Mortgages and their collateral security in favour of the Issuer and the assignation in security of the Issuer's rights therein in favour of the Trustee are substantially the same as those set out in this paragraph in relation to the equitable rights of the Issuer and the Trustee under English law.

The risk of such equities and other interests leading to third party claims obtaining priority over the interests of the Issuer or the Trustee in the Mortgages, the collateral security therefor and the Insurance Contracts is likely to be limited to circumstances arising from a breach by any of PFL or MAS5 or Meerbrook 3 or the Issuer of its or their contractual or other obligations or fraud or mistake on the part of any of PFL or MAS5 or Meerbrook 3 or the Issuer or of its or their respective officers, employees or agents.

Furthermore, until the Issuer or the Trustee has obtained legal title to the Mortgages, PFL or MAS5 must be joined as a party to any legal proceedings which the Issuer and the Trustee may wish to take against any Borrower to enforce their rights under the relevant Mortgage. In this respect, PFL will, pursuant to the PFL Mortgage Sale Agreement and Meerbrook 3 Mortgage Sale Agreement, and MAS5 will, pursuant to the MAS5 Mortgage Sale Agreement, undertake for the benefit of the Issuer and the Trustee that it will join in any legal proceedings brought by the Issuer or the Trustee against any person relating to a Mortgage and its related rights agreed to be sold to the Issuer pursuant to the applicable Mortgage Sale Agreement. Such undertaking will be secured by powers of attorney granted by PFL and MAS5 in favour of the Issuer and the Trustee enabling the Issuer and the Trustee to take proceedings in the name of PFL or MAS5.

With respect to the Insurance Contracts, each of PFL, MAS5 and Meerbrook 3 will assign the benefit of such contracts to the Issuer. Such assignments will take effect in equity only as the Issuer will not be made a co-insured. However, notice of the assignments over the benefit of each of the relevant Insurance Contracts will be given within a reasonable period of the Closing Date to the relevant insurance company.

#### *Redemption of Scottish Mortgages*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974, the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted over residential property for a period of 20 years, subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest.

#### *Loans Regulated by the Consumer Credit Act 1974*

Some of the Loans may be regulated by the Consumer Credit Act 1974 (the CCA) and insofar as the Loan finances the supply of insurance under arrangements with the supplier, the Loan will be partly regulated by the CCA and may give rise to liability under section 75 of the CCA. The CCA, among other things, sets requirements as to the licensing of creditors and brokers, the format and content of loan documentation and for the procedures to be taken by the lender when originating a regulated loan. For further details of these requirements, see "*Regulation of the UK Residential Mortgage Market – Loans Regulated by the Consumer Credit Act 1974*" below.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to the licensing of lenders and brokers, documentation, procedures 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) if the lender or any broker does not hold the required "enforcement" licence at the relevant time; or
- (b) totally, if the credit agreement has been made before 6 April 2007 and if:
  - (i) it is not properly signed by the borrower or if it omits or mis-states a "prescribed term"; or

- (ii) it is a "cancellable agreement" and the requirements under Sections 62,63 and 64(1) CCA regarding the provision of copies of documents and notices of cancellation rights was not satisfied; or
- (c) without a court order in other cases.

In exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender. In the latter circumstances, the court has the power, if it appears just to do so, to make an order amending the credit agreement or imposing conditions upon its performance or making a time order (for example, giving extra time for arrears to be cleared).

Under the Meerbrook 3 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the CCA. The benefit of these warranties will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement. Additionally, under the Meerbrook 3 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 3 Mortgage (as applicable) upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, PFL will warrant that all regulated loans comply with the requirements of the CCA and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS5 Mortgage Sale Agreement, MAS5 will warrant that all regulated loans comply with the requirements of the CCA and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS5 under the MAS5 Mortgage Sale Agreement.

As a consequence, where a court or other competent authority determines that a Mortgage is unenforceable as a result of a breach of the CCA or there has been an alleged breach of the CCA which is the subject of a complaint by a Borrower, a consumer body or a competent regulatory body and such breach is likely to make that Mortgage unenforceable, the Issuer will have the benefit of the relevant warranties and guarantees assigned, or provided directly, to it.

#### *Changes in respect of Consumer Credit legislation*

The Consumer Credit Act 2006 (the **CCA 2006**) amends many provisions of the Consumer Credit Act 1974. The CCA 2006 was enacted on 30 March 2006 and its provisions now have effect or will take effect between the date of this document and 1 October 2008. The CCA has been amended by *inter alia*:

- (i) a change to the definition of individual to include loans to partnerships consisting of two or three persons, not all of whom are bodies corporate.
- (ii) the removal of the financial limit from the CCA in respect of credit for non-business lending;
- (iii) the exemption from the CCA regime of high net worth debtors who meet certain criteria and who choose to exercise a voluntary opt out;
- (iv) the exemption from the CCA regime of credit agreements for an amount above the value of £25,000 where such credit agreement is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (v) the extension of the Financial Ombudsman Service to consumer credit licence holders, allowing consumers to challenge agreements without court proceedings;
- (vi) further criteria (applicable with some retroactive effect) to determine whether the relationship between debtors and creditors is unfair, which will include unfair practices and terms, and not just extortionate credit bargains;

- (vii) the strengthening of the powers of the OFT and the introduction of a Consumer Credit Appeals Tribunal to hear appeals from determinations of the OFT relating to licensing matters; and
- (viii) the introduction of discretionary unenforceability (rather than mandatory unenforceability) of consumer credit agreements which breach certain requirements of the CCA in order to allow courts to make a judgment that is proportionate to the detriment caused to the consumer.

The effect of these changes is that any Loan originated or changed such that a new contract is entered into will be regulated by the CCA unless (i) it is a Regulated Mortgage under the FSMA; or (ii) it is otherwise exempt under the CCA; or (iii) the Borrower is a corporate body; or (iv) the Loan is for more than £25,000 and is made to a Borrower for the purposes of their business.

The variation of credit agreements is regulated by section 82(2) CCA. Section 82 states that where an agreement (a "modifying agreement") varies or supplements an earlier agreement, the modifying agreement shall for the purposes of the CCA be treated as (a) revoking the earlier agreement and (b) creating a new combined agreement. Section 82 effectively operates to create a new CCA regulated agreement comprising the earlier agreement and the modifying agreement.

With the abolition of the £25,000 upper limit on 6 April 2008, previously unregulated agreements which are varied or supplemented could potentially fall within the scope of the CCA unless changes to the existing agreement are made unilaterally by one party. Of relevance, however, is the Consumer Credit Act 2006 (Commencement No.4 and Transitional Provisions) Order 2008 which provides that Loans entered into prior to 6 April 2008 will not be subject to CCA regulation if the variation (e.g. an interest rate switch) does not relate to the advance of further credit or an appropriate exemption applies. Notwithstanding the points above, many lenders do not treat further advances on unregulated loans as comprising a separate agreement but instead treat the loan (having been made before 6 April 2008) and further advance as a unitary agreement which avoids CCA regulation and therefore obviates the need to rely on the order.

In regards to the £25,000 limit and Buy to Let Loans, prior to the removal of the £25,000 threshold, concerns were raised during a public consultation that contrary to the government's intention the business exemption under section 16(6C) would not apply to the many buy-to-let loans entered into for investment rather than a business purpose. In light of this concern, the Department for Business, Enterprise and Regulatory Reform (**BERR**) proposes to exempt agreements entered into for buy-to-let purposes, regardless of value, from CCA regulation. The BERR defines buy-to-let loans as being agreements secured on land where the borrower or a connected person occupies or intends to occupy less than 40% of the property as a dwelling. It is anticipated that the Legislative Reform Order 2008 and Consumer Credit (Form of Declaration) Order 2008 (referred to above) which are required to make the changes, will be implemented from 1 October 2008. In view of the disconnect between the removal of the financial limit in April and these orders coming into force, the BERR has implemented transitional arrangements within the 4th Commencement Order 2008 which temporarily disapplies the abolition of the £25,000 for buy-to-let loans. This is to ensure that the loans are not brought into CCA regulation during the intervening period. Consequential amendments are also being made to section 82 CCA to avoid bringing existing buy-to-let loans into regulation (which are currently exempt by virtue of being an advance in excess of £25,000) in the event that they are varied or supplemented.

#### *Unfair Terms in Consumer Contracts Regulations 1994 and 1999*

All or almost all of the Loans are subject to either (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 or to the Unfair Terms in Consumer Contracts Regulations 1999 (together the **Regulations**) the provisions of which are further described under "*Regulation of the UK Residential Mortgage Market – Unfair Terms in Consumer Contracts Regulations 1994 and 1999* " below. The Regulations provide that (a) a borrower may challenge a term in an agreement on the basis that it is "an unfair term" within the Regulations and any term in such an agreement which is found to be unfair will not be binding on the borrower and (b) the OFT, the Financial Services Authority (**FSA**) and any "qualifying body" (as defined in the Regulations) may seek to enjoin (or in Scotland, interdict) a business against

relying on unfair terms, although the rest of the agreement will remain valid if it is capable of continuing in existence without the unfair term.

The Regulations may affect terms of loan agreements which are deemed to be ancillary terms, which may include the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the loan agreement and other terms the application of which are in the lender's discretion.

In February 2000, the OFT issued a guidance note (the **Guidance Note**) on what the OFT considers to be "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR Linked Mortgages are made on terms that provide for the mortgage rate to be either at a fixed margin above LIBOR, a fixed rate for a specific period reverting to LIBOR, or at a discount to LIBOR for a specific period reverting to LIBOR, and explain when and how the tracking will take effect. It should be noted that the OFT Guidance Note is not legally binding.

The guidance note has been withdrawn from the OFT website, but may remain in effect as the OFT's view and as a factor that the FSA may take into account. Prior to regulation by the FSA of Regulated Mortgages, the FSA agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements.

In May 2005, the FSA issued a non-binding statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope, including regulated mortgage contracts. The statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated clearly and unambiguously in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variation to be made only when any lock-in clause has not been exercised.

Most recently, in January 2007, the FSA has issued a statement of good practice as a follow-up to its May 2005 paper, more specifically on the fairness of mortgage exit administration fees (**MEAFs**). The statement indicates how lenders should draft or be able to vary MEAF clauses and how they should apply them in practice. The main focus of the statement is that the fairness of a MEAF should be linked to a reasonable estimate of the lender's costs for dealing with early redemption.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 and the Regulations into a single piece of legislation written in plain language. A final report (together with a draft bill) was issued on 24 February 2005, which proposes significant amendments to the regulation of unfair terms in consumer contracts and small business contracts. The recommendations of the Commissions are described more briefly under "*Regulation of the UK Residential Mortgage Market – Unfair Terms in Consumer Contracts Regulations 1994 and 1999*" below.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Loans, Britannia, PFL, MAS5, WMS, or the Issuer and their respective businesses and operations.



### *Distance Marketing of Financial Services*

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the **DMD**) has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) and amendments to MCOB. In essence the DMD requires that in respect of distance contracts, consumers have the right to receive certain information prior to entering into the contract and, for some financial services, a right to cancel.

For the purposes of the DM Regulations, a distance contract means any contract concerning one or more financial services concluded between a supplier and a consumer under an organised distance sales or service-provision scheme run by the supplier or by an intermediary, who, for the purposes of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded. A similar definition is adopted in MCOB.

The DM Regulations and (in respect of suppliers of regulated services in relation to mortgages regulated under the FSMA) MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers who enter into distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst other circumstances, in the case of contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier's control (such as interest rate changes); (ii) the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage on land or (in Scotland) a Standard Security; or (iii) it is a restricted-use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building. The disapplication of cancellation rights will not take place (in the case of the DM Regulations) where pre-contract information has not been provided, and cancellation rights will remain in effect until it is so provided. Compliance with the DM Regulations may be secured by way of injunction (or interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and any breach of the DM Regulations may render the supplier or intermediaries (and possibly their respective officers) liable to a fine; failure to comply with the MCOB rules could result in, amongst other things, disciplinary action by the FSA and possible claims under section 150 of FSMA for breach of FSA rules.

Any term in a distance contract will be void if, and to the extent that, it is inconsistent with the application of a provision of the DM Regulations to a distance contract.

### *Electronic Commerce Directive*

With effect from (for the most part) 21 August 2002, the E-Commerce Directive (the **ECD**) has been effected in the United Kingdom by a number of statutory instruments and implementing rules including, but not limited to, the Electronic Commerce (EC Directive) Regulations 2002 (which apply to non-FSA regulated entities), the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002, as amended (which apply to FSA regulated entities) and the creation of the Electronic Commerce Directive sourcebook (**ECO**) in the FSA Handbook.

In essence the ECD aims to free up cross-border "information society services" by requiring Member States to apply the principle of "country of origin" regulation to services provided using electronic means. "Information society services" are defined as "any service normally provided for remuneration, at a distance by means of electronic equipment for the processing (including digital compression) and storage of data, and at the individual request of a recipient of a service" and will therefore include (but are not limited to) web-based online information such as the online enquiry form completed by potential borrowers and used by PHL in making a decision in principal to lend on behalf of PFL. Under the principle of "country of origin", a firm providing cross-border "information society services" must comply with the applicable rules

in the country from which it is providing the services and the country into which it is providing the services cannot impose additional restrictions. As such, in providing "information society services" (whether in the UK or in another EEA state), PFL will be required to comply with applicable rules in the United Kingdom (including, but not limited to, the United Kingdom financial promotions regime).

The ECD also requires Member States to impose disclosure and other rules on firms offering "information society services" before any contract is entered into. The information to be disclosed includes, but is not limited to, contact details and background information in respect of the service provider, a variety of information which is required to be provided in a clear and unambiguous manner and disclosure of information to the recipient on how to conclude contractual arrangements.

Failure to comply with the ECO rules could result in, amongst other things, disciplinary action by the FSA and possible claims under section 150 of FSMA for breach of FSA rules. Under the Electronic Commerce (EC Directive) Regulations 2002 the information disclosure requirements are enforceable, at the suit of any recipient of a service, by an action against the service provider for damages for breach of statutory duty. In addition, where a person has entered into a contract to which the Electronic Commerce (EC Directive) Regulations 2002 apply and the service provider has not made available means of allowing him to identify and correct input errors prior to concluding the contract, the recipient will be entitled to rescind the contract unless a court having jurisdiction in respect of the particular contract orders otherwise on the application of the service provider. The Electronic Commerce (EC Directive) Regulations 2002 also enable an application to be made for a court order to stop an infringement of the information disclosure requirements which harms the collective interests of consumers.

#### *Change of Law*

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, tax, regulatory and administrative practice in effect as at the date of this Prospectus, and having due 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 English law, tax, accounting, regulatory or administrative practice in the UK after the date of this Prospectus.

#### *Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000*

Since 31 October 2004, a number of activities relating to Regulated Mortgages (as defined in "*Regulation of the UK Residential Mortgage Market*" below) have become "regulated activities" under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **Order**) and these activities now require authorisation from the FSA pursuant to section 19 of the Financial Services and Markets Act 2000. These activities are: (a) entering into a Regulated Mortgage as lender; (b) administering a Regulated Mortgage (administering in this context means notifying borrowers of certain post-contract information (such as changes in payments) and/or collecting payments due); (c) advising on Regulated Mortgages; (d) arranging Regulated Mortgages; and (e) agreeing to do any of the foregoing.

Each of Britannia, PFL, MAS5 and WMS have applied for permissions for the applicable activities listed above which it undertakes and in each case the FSA has granted the necessary permissions. The view has been taken that the Issuer does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exemption in respect of those activities.

Authorisation by the FSA subjects each of Britannia, PFL, MAS5 and WMS to the full regulatory regime imposed by FSMA and the FSA. In particular, Britannia, PFL, MAS5 and WMS are required to have in place full systems and controls to ensure that those carrying out controlled functions are approved by the FSA, to maintain prescribed prudential ratios and their activities will be subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Mortgages are subject to mortgage conduct of business rules set out in the FSA Handbook (**MCOB**) (as described in further detail "*Regulation of the UK Residential Mortgage Market – Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000*", below).

Failure to comply with the provisions of MCOB does not render any loan unenforceable. However, breach of the rules in MCOB is actionable by a borrower who suffers loss as a result of the contravention. A breach could therefore give rise to a claim by a borrower to set off sums due under a Loan. However, Regulated Mortgages will be unenforceable if they are advised upon, arranged or entered into by a company which is not authorised. As discussed above, each of Britannia, PFL and WMS has been granted authorisation by the FSA. Regulated Mortgages will also be unenforceable if they are originated as a result of financial promotion in relation to which there has been a contravention of Section 21(1) of the FSMA.

Under the Meerbrook 3 Origination and Sale Agreement, PFL warranted that from and including 31 October 2004 it had been, and continued to be authorised by and held appropriate permissions from the FSA to conduct all regulated mortgage activities in respect of regulated mortgage contracts and that it had complied with the provisions of MCOB in respect of each Meerbrook 3 Mortgage. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, in respect of any Mortgage entered into after 31 October 2004, PFL will warrant that it is authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS5 Mortgage Sale Agreement, in respect of any Mortgage entered into after 31 October 2004, MAS5 will warrant that it is authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS5 under the MAS5 Mortgage Sale Agreement.

As a consequence, should a court or other competent authority determine that a Mortgage is unenforceable as a result of a lack of authorisation, or where there has been an alleged breach of the provisions of MCOB which is the subject of a complaint by a Borrower and such breach is likely to result in a judgment allowing a Borrower to set off sums due under a Loan, the Issuer will have the benefit of the relevant warranties and guarantees provided and assigned to it.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. No assurance can be given that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the particular sector of Britannia, PFL or WMS in the mortgage market or specifically of Britannia, PFL or WMS. Any such development may have a material adverse effect on the Issuer and/or the Administrator and/or the Sub-Administrator and their respective businesses and operations.

#### *Insolvency related issues*

The Insolvency Act 2000 (the **IA 2000**) contains certain provisions (which came into effect on 1 January 2003) which allow "small companies", as part of the company voluntary arrangement procedure, to seek court protection from their creditors for a period of 28 days, with the option for creditors to extend this protection for a further two months (although the Secretary of State for Trade and Industry may, by Regulation, extend the duration of each period).

The IA 2000 defines "small company" by reference to certain tests contained in section 247(3) of the Companies Act 1985, relating to a company's balance sheet total, turnover and average number of employees. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company".

Accordingly, the Issuer may, at any given time, come within the ambit of the "small companies" provisions, such that it may (subject to the exemptions referred to below) be eligible to seek court protection from its creditors, in advance of a company voluntary arrangement.

However, pursuant to regulations made by the Secretary of State for Trade and Industry, which came into effect at the same time as the small companies provisions of the IA 2000, companies which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment, are (amongst other categories of exempted company) excluded from being eligible for the moratorium. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is ineligible to seek the benefit of the small companies protection in any event. As with the small companies "eligibility qualifications", the qualification criteria for exemption as a capital market arrangement may be modified by the Secretary of State from time to time.

Accordingly, the small companies provisions may only serve to limit the Trustee's ability to enforce the Security to the extent that, first, the Issuer falls within the small companies eligibility criteria at the relevant time; secondly, the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time): in those circumstances, the enforcement of any security by the Trustee may, for a period, be prohibited by the imposition of the small companies moratorium.

By an order made by the Under-Secretary of State for Small Business and Enterprise made on 8 August 2003, the provisions of the Enterprise Act 2002 (the **Enterprise Act**) amending certain corporate insolvency provisions of the Insolvency Act 1986 came into force on 15 September 2003. As a result of the amendments made by the Enterprise Act, unless a floating charge was created prior to 15 September 2003, or falls within one of the exceptions contained in the Enterprise Act, the holder of a "qualifying floating charge" will be prohibited from appointing an administrative receiver to a company and consequently, the ability to prevent the appointment of an administrator to such company will be lost.

The floating charge to be granted by the Issuer pursuant to the terms of the Deed of Charge will be a "qualifying floating charge" for the purpose of the Enterprise Act, and will be entered into on or about the Closing Date and therefore after 15 September 2003. As such, unless excepted, the Trustee will be prevented from appointing an administrative receiver in respect of the Issuer. However, the qualifying floating charge granted by the Issuer will fall within the "capital market arrangement" exception to the prohibition on appointment of an administrative receiver and accordingly the Trustee will still be able to appoint an administrative receiver pursuant to the terms of the Deed of Charge.

#### *European Monetary Union*

It is possible that prior to the maturity of the Notes, the United Kingdom may become a participating Member State in Economic and Monetary Union and 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 euros; (ii) applicable provisions of law may allow the Issuer to redenominate the Notes into euros and take additional measures in respect of the Notes; and/or (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of 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. If the Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Notes in accordance with the then market practice of payment of such debts. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

#### *Withholding Tax under the Notes*

In the event that withholding taxes are imposed by or in any jurisdiction in respect of payments to Noteholders of any amounts due under the Notes, the Issuer will not be obliged to gross up or otherwise

compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such withholding taxes. The Issuer will, in such event, have the option (but not the obligation) of redeeming all outstanding Notes in full or taking such other action as is reasonable to mitigate the tax (see Condition 6(e), ("*Redemption, Purchase and Cancellation – Optional Redemption of the Notes for Tax Reasons*") and the section entitled "*Taxation*").

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. See further the section entitled "*Taxation – United Kingdom Taxation*" below.

#### *Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes*

On 14 November 2005 the Basel Committee on Banking Supervision published an updated version of a revised framework (the **Framework**) to replace the 1988 Capital Accord, which placed enhanced emphasis on market discipline and sensitivity to risk. It was envisaged that the revised framework would come into effect at the beginning of 2007 or, in the case of the advanced approaches that are permitted under the revised framework, the beginning of 2008, although it is likely that different implementation dates will be adopted in different countries. The text of the Capital Requirements Directive, which implements the revised Basel framework within the EEA, was finalised in June 2006. The Capital Requirements Directive is in the process of being transposed into national law or regulation by the EEA member states and has been implemented into revised regulatory requirements in the UK. The new requirements could affect the risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner that would be affected by the requirements. Consequently, prospective investors in the Notes should consult their own advisers as to the consequences to and effect on them of the application of the revised Basel framework and the Capital Requirements Directive. The Issuer cannot predict the precise effects of potential changes that might result from the adoption of the new requirements.

*There may be adverse consequences for Noteholders if the new UK special regime for the taxation of securitisation companies does not apply to the Issuer*

The Taxation of Securitisation Companies Regulations 2006 (the **Regulations**) were made under section 84 of the Finance Act 2005 on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the Transaction Documents. Based on advice received, the Issuer considers that it will be taxed under the special taxation regime for which provision is made by the Regulations. Investors should note, however, that the Regulations are in short-form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the Regulations including whether any particular company falls within the new regime. Investors should note that if the Issuer is not taxed under the new regime then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to Noteholders.

#### *UK Banking (Special Provisions) Act 2008*

Under the Banking (Special Provisions) Act 2008 (the **Banking (Special Provisions) Act 2008**), until 21 February 2009, the UK Treasury has wide powers to make certain orders in respect of a UK authorised deposit-taking institution (such as Britannia) and, in certain circumstances, certain related corporate undertakings. The orders which may be made under the Banking (Special Provisions) Act 2008 in respect of relevant deposit-taking institutions (and/or, in certain circumstances, certain related corporate undertakings) relate to (amongst other things) (i) transfers of securities issued by relevant entities (and/or securing that rights of holders of securities cease to be exercisable by such holders, discontinuing the listing of securities and/or varying or nullifying the terms of securities and/or other documents by which the relevant entity is bound), (ii) transfers of property, rights and liabilities of relevant entities notwithstanding any restrictions, requirements or interests (and/or modifying related interests, rights or liabilities of third parties), (iii) the disapplication or modification of laws, (iv) the imposition of a moratorium on the commencement or continuation of any legal process in relation to any body or property and/or (v) the dissolution of any relevant entity. Orders may have retrospective effect and may make provision for nullifying the effect of transactions or events taking place after the time in question.

In general, transfer orders under the Banking (Special Provisions) Act 2008 may be made by the UK Treasury only in certain circumstances for the purposes of maintaining the stability of the UK financial system and/or protecting the public interest in circumstances where financial assistance has been provided by the Treasury to the deposit-taking institution. The Banking (Special Provisions) Act 2008 includes provisions related to compensation in respect of any transfer orders made.

If the UK Treasury were to make an order in respect of Britannia, such order may (amongst other things) impact on various aspects of the transaction (including the enforceability of certain Transaction Documents and/or the ability of certain parties to perform their obligations under such documents) which may negatively affect the ability of the Issuer to meet its obligations in respect of the Notes. At present, the UK Treasury has not made any orders under the Banking (Special Provisions) Act 2008 in respect of the entity referred to above and there has been no indication that it will make any such order under the Banking (Special Provisions) Act 2008, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order if made.

**The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Borrowers to pay interest, principal, or other amounts on the Mortgages and consequently the inability of the Issuer to pay interest, principal, or other amounts on or in connection with the Notes may occur for other reasons, and the Issuer does not represent that the above statements regarding the risk of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of these risks for the Noteholders, there can be no assurance that these measures will be sufficient to ensure**

**payment to the Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.**

## CREDIT STRUCTURE

The Notes will not be obligations of the Excluded Parties. Only the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

As a condition to the issue of the Notes, the Notes are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. 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 any of the Rating Agencies.

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

### Application of Cash Receipts

PFL (in its capacity as Cash Manager) will be obliged to identify (a) all amounts of cash received by the Issuer in respect of the Mortgages and from other sources available to the Issuer (such as the Swap Agreements and the GIC Agreements); and (b) all amounts to be paid by the Issuer, in accordance with the Administration Agreement and the Conditions. Such amounts will be categorised, broadly, as principal receipts or income receipts, as soon as practicable. (See further the sections entitled "*Calculation of Applied Income*" and "*Calculation of Applied Principal*" below.)

Amounts identified by PFL as principal receipts will be available in certain circumstances to fund income shortfalls. Similarly, surplus income will be applied in certain circumstances to make good any losses of principal suffered upon enforcement of a Mortgage. (See further the sections entitled "*Application of Principal to Fund Liquidity Shortfalls*" and "*Application of Income to Fund Principal Shortfalls*" below.)

Subject to the ability of the Issuer to provide for funds to purchase anticipated Further Advances in respect of the Mortgages, the amount of principal available on each Calculation Date will be applied in mandatory partial redemption of the Notes (as described under "*Pre-Enforcement Principal Priority of Payments*" below) and the amount of income available will be applied in meeting the Issuer's expenses and interest payment obligations (as described under "*Pre-Enforcement Interest Priority of Payments*" below).

Pursuant to the Administration Agreement, PFL (in its capacity as Cash Manager) will provide the Issuer with certain cash administration, calculation, notification and payment services in relation to amounts payable under, *inter alia*, the Notes.

The Administration Agreement will contain a provision for a residual cash sweep pursuant to which any surplus cash other than profit and specified reserves will be paid by or on behalf of the Issuer pursuant to the Deferred Consideration Agreement.

### Calculation of Applied Income

PFL (in its capacity as Cash Manager) will determine the amount of Applied Income on each Calculation Date. In order to calculate Applied Income:

- (i) *first*, Income Received will be calculated from the cash receipts received in respect of the Mortgages during the preceding Collection Period and from other sources which are determined to be of an income nature (including amounts retained as the Required Amount, amounts received from the Discount Reserve in accordance with the Discount Reserve Amortisation Schedule, amounts received under the GIC Agreements and amounts received under the Swap Agreements (but excluding amounts paid as collateral in respect of the Swap Agreements (and any income thereon))); then
- (ii) *second*, from the amount calculated in (i) above, there will be subtracted an amount equal to the lesser of Income Surplus (as defined in the Conditions) but, broadly, being income receipts after payment of items (i) to (vii) (inclusive) in the Regular Pre-Enforcement Interest Priority of Payments and after payment of items (i) to (vi) inclusive of the Final Pre-Enforcement Interest Priority of Payments and the Uncovered Shortfall (as defined in the Conditions) but, broadly, being (A) the cumulative amount of principal losses (including provisions for principal losses) less (B) the cumulative Income Retained to cover such principal losses); then



- (iii) *third*, an amount will be added up to an amount equal to the Liquidity Shortfall (if any) (as described in "*Application of Principal to Fund Liquidity Shortfalls*" below), to the extent possible from amounts of Principal Received; and
- (iv) *fourth*, an amount will be added up to an amount equal to Principal Recoveries (if any) (as defined in the Conditions).

### Calculation of Applied Principal

PFL (in its capacity as Cash Manager) will determine the amount of Applied Principal on each Calculation Date. The following summary describes the steps required in order to calculate Applied Principal:

- (i) *first*, Loan Principal Received is calculated, (being, broadly, a calculation of the aggregate principal amounts received in respect of the Mortgages between the relevant Calculation Date and the immediately preceding Calculation Date as determined by PFL) to which is added, (i) the amount of Liquidity Shortfall (if any) and any Liquidity Shortfall for any Calculation Date (the **Relevant Calculation Date**) before the preceding Calculation Date to the extent that (a) such Liquidity Shortfall was taken into account as reducing Principal Received on the relevant Calculation Date (the amount of the said reduction being X) and (b) compensating amounts of income (equal in aggregate to X) have not been treated as Principal Received on Calculation Dates subsequent to the relevant Calculation Date, (ii) the Non-Principal Amortisation Amount (and such amount will be treated as being deducted from Income Received), (iii) any Principal Received on a preceding Calculation Date that has not been otherwise paid out in the Pre-Enforcement Interest Priority of Payments (such as amounts of Retained Principal), and (iv) in the case of the first Calculation Date after the Closing Date only, an amount equal to the aggregate amount by which the gross proceeds of the Notes exceed the aggregate amount of the initial purchase prices paid by the Issuer to Meerbrook 3, MAS5 and PFL for the Mortgages; then,
- (ii) *second*, either (A) Income Surplus to be used for an Uncovered Shortfall is added; or (B) the amounts which are to be used for a Liquidity Shortfall in the current Interest Period in the determination of Applied Income and referred to below under "*Pre-Enforcement Interest Priority of Payments*" are subtracted; then,
- (iii) *third*, Principal Recoveries are subtracted; then,
- (iv) *fourth*, the Rounding Balance retained on the preceding Interest Payment Date (as described under "*Pre-Enforcement Principal Priority of Payments*" below) if any, is added.

(See further Condition 1 ("*Definitions*" – "*Applied Principal*").

### Application of Principal to fund Liquidity Shortfalls

If, on the last day of the calendar month which falls immediately prior to an Interest Payment Date (each such day, a **Calculation Date**), the amount of Income Received is insufficient to pay or provide for payment of the Relevant Expenses (as defined in the Conditions) (such shortfall, as more fully described in the definition thereof, being the **Liquidity Shortfall**) then, subject as more particularly set out in the Conditions, the amount of the Liquidity Shortfall will be deducted from Principal Received (as defined in the Conditions), to the extent that there are funds available and treated as if it were Income Received.

If an amount representing principal is treated as Applied Income on any Calculation Date, then on the succeeding Calculation Dates it will, to the extent that there is Income Received available, be treated as Principal Received and applied accordingly (and such amount will be treated as being deducted from Income Received and applied accordingly) until amounts in aggregate equalling the principal originally treated as Applied Income have been so applied.

## **Required Amount**

On the Closing Date, £94,240,418.71 will be drawn down by the Issuer under Tranche B of the Subordinated Loan Agreement, being approximately equal to 5 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes and the amount drawn down by the Issuer under Tranche A of the Subordinated Loan Agreement, in each case, on the Closing Date (the **Required Amount**) and such amount shall be deposited in the Britannia GIC Account and will form part of the calculation of Income Received. Thereafter, on each Interest Payment Date, an amount (if any) of Applied Income on such Interest Payment Date, after payment being made in full of items (i) to (vi) (inclusive) of the Pre-Enforcement Interest Priority of Payments to the extent of any shortfall amount below the Required Amount standing to the credit of the Relevant GIC Account in an amount up to the Required Amount will be deposited in the Relevant GIC Account and will form part of the calculation of Income Received on the Calculation Date following the Interest Payment Date on which that amount was so deposited and will be paid in accordance with the Pre-Enforcement Interest Priority of Payments.

## **Discount Reserve**

On the Closing Date, £44,300,000 will be drawn down by the Issuer under the Discount Reserve Loan Agreement, being approximately equal to 2.35 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (the **Discount Reserve Amount**) to establish a Discount Reserve (the **Discount Reserve**) by crediting the Discount Reserve Amount to the Britannia GIC Account. The Discount Reserve will be used to supplement Income Received during the first ten Interest Periods.

On the Interest Payment Dates falling in September and December 2008, March, June, September and December 2009, March, June, September and December 2010, a portion of the Discount Reserve equal to a predetermined amount as set out in a discount reserve amortisation schedule (the **Discount Reserve Amortisation Schedule**) shall be debited to the Discount Reserve and withdrawn from the Britannia GIC Account to be applied as Income Received in accordance with the Regular Pre-Enforcement Interest Priority of Payments. If on such Interest Payment Dates Income Received is to be applied in accordance with the Post-Enforcement Interest Priority of Payments, the predetermined amounts set out in the Discount Reserve Amortisation Schedule shall not apply and all amounts standing to the credit of the Discount Reserve shall be debited to the Discount Reserve and withdrawn from the Britannia GIC Account to be applied as Income Received in accordance with the Post-Enforcement Interest Priority of Payments.

## **Application of Income to Fund Principal Shortfalls**

PFL (in its capacity as Cash Manager) will be obliged to record any Actual Principal Losses. The Administrators will be obliged to make, in respect of the Mortgages, such specific provisions as are consistent with those which would be made by a reasonably prudent mortgage lender underwriting mortgage loans to Borrowers of the type contemplated in the relevant Lending Guidelines on terms similar to those set out in the relevant Lending Guidelines (a **Prudent Mortgage Lender**) advancing loans to sub-prime borrowers. The current intention is that the Administrators will adopt the provisioning policies of Britannia and the Britannia Group Companies (together, the **Britannia Group**). An amount equal to the aggregate amount of such Actual Principal Losses and Notional Provisions (defined in the Conditions as a **Principal Shortfall**) which have not previously been recovered will, on each Calculation Date, be deducted from Income Received and will be added to Principal Received in the calculation of Applied Principal, to the extent that the Issuer has surplus income available. The Issuer will have surplus income available for this purpose as at any Calculation Date to the extent that the amount of Income Received exceeds the amount of the Relevant Expenses. Other than as described in this paragraph or in respect of the Required Amount (as further described in the section entitled "*Required Amount*" above), there is no intention to accumulate income surpluses in the Issuer.

To the extent that a provision is made in excess of any principal losses following completion of enforcement procedures in respect of any Mortgage, a corresponding amount of principal will be applied as if it were income.

### **Regular Pre-Enforcement Interest Priority of Payments**

Prior to the delivery of an Enforcement Notice (as defined in the Conditions) by the Trustee, Applied Income will be applied on each Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) (the **Regular Pre-Enforcement Interest Priority of Payments**):

- (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
- (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;
- (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans administered by that Administrator on the last day of each calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the Administrators or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;
- (iv) *fourth, pro rata and pari passu*, in or towards payment, due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xiii) below);
- (v) *fifth*, in or towards payment of interest due on the Notes;
- (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
- (vii) *seventh*, if applicable, to the extent of any shortfall standing to the credit of the Relevant GIC Account in or towards amounts to be credited to the Relevant GIC Account to bring the balance up to the Required Amount;
- (viii) *eighth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (ix) *ninth*, in or towards payments of interest due in respect of Tranche A of the Subordinated Loan;
- (x) *tenth*, in or towards payment of interest due in respect of the Discount Reserve Loan;
- (xi) *eleventh*, in or towards repayment of principal payable in respect of the Discount Reserve Loan;

- (xii) *twelfth*, in or towards payment of interest due and principal payable in respect of the Expenses Loan;
- (xiii) *thirteenth, pro rata and pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from an Event of Default (as defined in the applicable Swap Agreement) by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event (as defined in the applicable Swap Agreement) as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (iv) above;
- (xiv) *fourteenth, pro rata and pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) not paid under item (iii) above;
- (xv) *fifteenth*, in or towards satisfaction of amounts payable in respect of Tranche B of the Subordinated Loan;
- (xvi) *sixteenth*, to retain in the Britannia GIC Account an amount equal to, if the Expenses Loan Condition is true, the principal amount outstanding under the Expenses Loan Agreement or, if the Expenses Loan Condition is not true, nil;
- (xvii) *seventeenth, pro rata and pari passu*, in or towards payment to Meerbrook 3, MAS5 and PFL in respect of all amounts accrued and due under or pursuant to the deferred consideration agreement between the Issuer and Meerbrook 3, MAS5 and PFL dated on or about the Closing Date (the **Deferred Consideration Agreement**); and
- (xviii) *eighteenth*, the surplus, if any, to the Issuer.

Applied Income allocated and provided for in accordance with the Regular Pre-Enforcement Interest Priority of Payments may be applied during each Interest Period by the Issuer to make payment of certain third party costs and expenses and amounts under the Interest Rate Swap Transactions that have fallen due.

#### **Pre-Enforcement Interest Priority of Payments on the Final Repayment Date**

On the Final Repayment Date, provided an Enforcement Notice has not been delivered by the Trustee, Applied Income will be applied on such Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) (the **Final Pre-Enforcement Interest Priority of Payments**, and, together with the Regular Pre-Enforcement Interest Priority of Payments, the **Pre-Enforcement Interest Priority of Payments**):

- (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
- (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;
- (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans

administered by that Administrator on the last day of each calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the Administrators or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;

- (iv) *fourth, pro rata and pari passu*, in or towards payment, due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xii) below);
- (v) *fifth*, in or towards payments of interest due on the Notes;
- (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or the other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
- (vii) *seventh*, in or towards payment of principal on Tranche B of the Subordinated Loan;
- (viii) *eighth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (ix) *ninth*, in or towards payment of interest due in respect of Tranche A of the Subordinated Loan;
- (x) *tenth*, in or towards payment of interest due in respect of the Discount Reserve Loan;
- (xi) *eleventh*, in or towards payment of principal due on the Discount Reserve Loan;
- (xii) *twelfth, pro rata and pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from an Event of Default (as defined in the applicable Swap Agreement) by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (iv), above;
- (xiii) *thirteenth*, in or towards payment of interest on the Expenses Loan;
- (xiv) *fourteenth*, in or towards payment of principal on the Expenses Loan;
- (xv) *fifteenth*, in or towards payment of interest on the Tranche B of the Subordinated Loan;
- (xvi) *sixteenth, pro rata and pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) to the extent not paid under item (iii) above;
- (xvii) *seventeenth, pro rata and pari passu*, in or towards payment to Meerbrook 3, MAS5 and PFL in respect of all amounts accrued and due under or pursuant to the Deferred Consideration Agreement; and
- (xviii) *eighteenth*, the surplus, if any, to the Issuer.

The **Expenses Loan Condition** is true, if on the immediately preceding Calculation Date the aggregate principal balance of Loans which are greater than three months in arrear expressed as a percentage of the aggregate principal balance of the Loans exceeds 15 per cent.

### **Pre-Enforcement Principal Priority of Payments**

Prior to the delivery of an Enforcement Notice (as defined in the Conditions) by the Trustee, a certain amount of Applied Principal will be retained on each Interest Payment Date. The amount of such Applied Principal retained will consist of: (i) the Rounding Balance (as at the preceding Calculation Date) (as defined below); and (ii) amounts to fund the purchase of Further Advances, the aggregate of such amounts not to exceed the cumulative amount of 10.0 per cent. of the aggregate original outstanding balances of the Mortgages on the Closing Date, plus the amount of Retentions (the **Retained Principal**).

The remaining amount of Applied Principal after the application referred to in the paragraph above (the **Actual Redemption Funds**) will be applied in partial redemption of the Notes on any Calculation Date, to effect redemptions of the Notes on the next Interest Payment Date sequentially as follows (the **Pre-Enforcement Principal Priority of Payments**):

- (i) *first*, in redeeming the Notes until no Notes remain outstanding;
- (ii) *second*, in or towards satisfaction of amounts of interest (to the extent not paid by item (ix) of the Pre-Enforcement Interest Priority of Payments) and principal payable in respect of Tranche A of the Subordinated Loan;
- (iii) *third*, on the Interest Payment Date falling in December 2039 or such earlier date when all of the Notes, have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments.

Each Note will be redeemed in an amount equal to the applicable proportion of the Actual Redemption Funds divided by the number of Notes and rounded down to the nearest pound.

To the extent that the amounts available are greater than the amounts actually used by the Issuer such excess amounts (the **Rounding Balance**) shall be retained and form part of Applied Principal on the next Calculation Date.

### **Collection Accounts**

All payments made by, and received from, Borrowers and other parties under the PFL Mortgages and the Meerbrook 3 Mortgages will be credited to the collection accounts of PFL and all payments made by, and received from, Borrowers and other parties under the MAS5 Mortgages will be credited to the collection accounts of MAS5, both held at National Westminster Bank Plc (**NatWest**) (the **Collection Accounts**). PFL and MAS5 maintain further accounts at NatWest (the **Sundries Accounts**) through which various sundry payments on behalf of Borrowers under the Mortgages (including in respect of any purchase of Further Advances) are made.

On or about the Closing Date, PFL and MAS5 will declare a trust over the applicable Collection Accounts and the applicable Sundries Accounts in favour of the Issuer and the Trustee, to the extent that moneys in the Sundries Accounts and Collection Accounts are applicable to the Mortgages (the **Declaration of Trust**).

All cleared amounts standing to the credit of the Collection Accounts at the end of each Business Day (applicable to the Mortgages) less an amount, up to a maximum of £50,000 to be retained at the discretion of PFL (in its capacity as Cash Manager) to prevent the Collection Accounts becoming overdrawn in the event any amounts credited to the Collection Accounts are subsequently withdrawn (for example if cheques are dishonoured or direct debits are refused) will be transferred on the next Business Day, or as soon as practicable thereafter to the Britannia GIC Account for value on the following Business Day.

The Trustee will be a beneficiary under the Declarations of Trust (applicable to the Mortgages) and the Issuer's interest in the GIC Accounts will be secured in favour of the Trustee pursuant to the Deed of Charge.

## Guaranteed Investment Contracts

The Issuer will deposit any cash amounts which it receives from the Collection Accounts, the Initial Expenses Amount, the Required Amount, the Discount Reserve Amount and any payments under the Swap Agreements in the Britannia GIC Account (up to the Britannia GIC Limit). If paragraph (c) of the definition of the Britannia GIC Limit below applies, PFL (in its capacity as Cash Manager) on behalf of the Issuer will be obliged, pursuant to the terms of the Administration Agreement to deposit any cash amounts which it receives into the RBS GIC Account or if RBS is not at such time or ceases to be rated at least the GIC Minimum Rating (as defined below), a similar account with an entity rated or guaranteed by an entity rated at least the GIC Minimum Rating. If the GIC Guarantor ceases to be rated the GIC Minimum Rating, the obligations of the GIC Guarantor as guarantor of Britannia's obligations under the Britannia GIC Agreement pursuant to the GIC Guarantee shall be transferred to, or guaranteed by, an entity rated at least the GIC Minimum Rating or the GIC Guarantor will take such further actions as may be necessary to maintain the then current ratings of the Notes. If the GIC Guarantor is unable to transfer its interests, obtain a guarantee or take such further actions needed to maintain the then current ratings of the Notes, the Issuer may require the GIC Guarantor to deposit sufficient monies in a specified account sufficient to collateralise its obligations under the GIC Guarantee. The GIC Guarantee will only remain in place to the extent that there are Notes outstanding.

The maximum cash amount which may from time to time be deposited by the Issuer in the Britannia GIC Account (the **Britannia GIC Limit**) will be:

- (a) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, P-1 by Moody's and F1+ by Fitch or such other ratings as would maintain the current ratings of the Notes (the **GIC Minimum Rating**) an unlimited amount;
- (b) for so long as the short term unsecured, unsubordinated and unguaranteed debt obligations of Britannia are rated lower than the GIC Minimum Rating but are rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, an amount equal to the aggregate of (A) 20 per cent. of the aggregate Principal Amount Outstanding of the Notes; and (B) the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating; and
- (c) for so long as the short term unsubordinated and unguaranteed debt obligations of Britannia are not rated at least (i) in the case of Fitch, F1; (ii) in the case of Moody's, P-1; and (iii) in the case of S&P, A-1, the maximum amount of any guarantee (in a form acceptable to the Trustee) of the obligations of Britannia in respect of the Britannia GIC Account provided by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated the GIC Minimum Rating or if no such guarantee is in force, zero.

## Subordinated Loan

Pursuant to a loan agreement between Britannia, the Administrators, the Trustee and the Issuer dated on or about the Closing Date, Britannia will make the Tranche A Sub Loan Drawing which is an amount equal to £395,808,374.14 and Tranche B Sub Loan Drawing equal to 5.00 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes and Tranche A Sub Loan Drawing, in each case, on the Closing Date, to fund the Required Amount.

## Expenses Loan

Pursuant to a loan agreement between the Issuer, the Trustee and the Expenses Loan Provider dated on or about the Closing Date (the **Expenses Loan Agreement**) the Expenses Loan Provider will make the Expenses Loan available to the Issuer, which the Issuer will use to fund the Initial Expenses Amount.

### **Discount Reserve Loan**

Pursuant to the Discount Reserve Loan Agreement between Britannia, PFL (in its capacity as Cash Manager), the Trustee and the Issuer dated on or about the Closing Date, Britannia will advance a drawing which will be an amount equal to 2.35 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date to fund the Discount Reserve Amount.

### **Interest Rate Swap**

The Mortgages, as at the close of business on the Provisional Pool Cut-Off Date, consist of 38.87 per cent. of LIBOR-Linked Mortgages and 61.05 per cent. of Base Rate Mortgages.

On the Closing Date the Interest Rate Swap Transactions will be novated to the Issuer in order to hedge the interest rate risks associated with the fixed rate portions of the Fixed Reverting to LIBOR Mortgages and the Fixed Reverting to Base Rate Tracker Mortgages.

Under the Interest Rate Swap Transactions, the Issuer and the Interest Rate Swap Counterparty will make payments to each other based on: (a) certain fixed rates as set out in the relevant swap confirmations applied on a notional amount as set out in the relevant confirmations; and (b) the floating rate received from the repayment of the Mortgages equal to 1 month Sterling LIBOR or 3 month Sterling LIBOR, as described in the section "Interest Rate Hedging". If (a) is greater than (b), the Issuer will pay the difference to the Interest Rate Swap Counterparty and if (b) is greater than (a), the Interest Rate Swap Counterparty will pay the difference to the Issuer on each Interest Payment Date of each year until the relevant termination date.

### **Basis Swaps**

Because 3 Month Sterling LIBOR is calculated on different dates than the Relevant Mortgage LIBOR, the Issuer will enter into the Basis Swap Transactions with the Basis Swap Counterparty on the Closing Date in order to hedge the interest rate risk arising by virtue of the difference in 3 Month Sterling LIBOR and the Relevant Mortgage LIBOR.

Under the Basis Swap Transactions relating to the PFL Mortgages and the Meerbrook 3 Mortgages the Issuer and the Basis Swap Counterparty will make payments to each other based on:

- (a) the amount calculated by applying 3 Month Sterling LIBOR for a particular Interest Period to the principal amount calculated as the amount equal to the aggregate principal balance of all of the PFL Basis Swap Mortgages at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months; and
- (b) the amount calculated by applying the PFL Mortgage LIBOR on the relevant Mortgages to the principal amount referred to in (a) above at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period.

If (b) is greater than (a), the Issuer will pay the difference to the Basis Swap Counterparty and if (a) is greater than (b), the Basis Swap Counterparty will pay the difference to the Issuer, each on the Interest Payment Date on which the relevant Interest Period ends.

Under the Basis Swap Transactions relating to the MAS5 Mortgages the Issuer and the Basis Swap Counterparty will make payments to each other based on:

- (a) the amount calculated by applying 3 Month Sterling LIBOR for a particular Interest Period to the principal amount calculated as the amount equal to the aggregate principal balance of all of the MAS5 Basis Swap Mortgages at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period as reduced by one half of the average monthly redemption rate in the previous three calendar months; and



- (b) the amount calculated by applying the MAS5 Mortgage LIBOR on the relevant Mortgages to the principal amount referred to in (a) above at the end of the calendar month which is prior to the month immediately prior to the commencement of such Interest Period.

If (b) is greater than (a), the Issuer will pay the difference to the Basis Swap Counterparty and if (a) is greater than (b), the Basis Swap Counterparty will pay the difference to the Issuer, each on the Interest Payment Date on which the relevant Interest Period ends.

The first Interest Period will not be hedged by the Basis Swap Transactions

### **Common Terms for the Swap Agreements**

If the issuer becomes obliged to withhold tax from any payments due by it under any Swap Agreements, such tax shall be withheld and paid over to the relevant authorities and the Issuer will not be obliged to gross up its payment to the Swap Counterparty, as further described in "*Risk Factors – Interest Rate and Basis Risk on the Notes*".

### **Further Advances**

The Principal Administrator (in its capacity as cash manager) may, subject to a Ratings Test having been satisfied and in accordance with the lending criteria, arrange on behalf of the Issuer to purchase Further Advances: (i) from Meerbrook 3 (who in turn will purchase such Further Advances from PFL); (ii) from PFL; or (iii) from MAS5, secured on the relevant Property as agent for and on behalf of the Issuer (the **Further Advances**, which definition shall exclude amounts debited to a Borrower's account in respect of third party expenses incurred in connection with its Mortgage). Any purchase of such Further Advances will be funded from Applied Principal except that prior to the first Calculation Date any purchase of such Further Advances will be funded from the amount by which the gross proceeds of the Notes exceed the aggregate purchase prices of the Mortgages as of the Closing Date such amount having been held, in the interim period, in the Britannia GIC Account.

### **Converted Mortgages**

The Principal Administrator on behalf of the Issuer may agree to a request by a Borrower to convert a Mortgage into a fixed rate Mortgage or otherwise change the basis on which interest is calculated in respect of such Mortgage (a **Converted Mortgage**) subject to certain conditions as further described in "*The Mortgage Pool – Conversion of Mortgages*" below.

## THE ISSUER

### Introduction

The Issuer was incorporated and registered in England and Wales under the Companies Acts 1985 and 1989 with limited liability as a public limited company on 19 March 2007 in the name of Spanglehurst PLC. The Issuer changed its name to Leek Finance Number Twenty PLC on 27 July 2007. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which 49,999 are held by Leek Finance Holdings Number Twenty Limited (**Holdings**) and one of which is held by Capita Trust Nominees No. 1 Limited (the **Share Trustee**) as nominee of Holdings under the terms of a share trust dated 1 August 2007 (the **Nominee Declaration of Trust**). The entire issued share capital of Holdings is held by the Share Trustee under the terms of a share trust deed dated 1 August 2007 (the **Share Declaration of Trust**) for the benefit of charitable purposes. The Issuer has no subsidiaries.

English company law combined with the holding structure of the Issuer, covenants made by the Issuer in the Transaction Documents and the role of the Trustee are together intended to prevent any abuse of control of the Issuer.

### Directors

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

Name	Address	Principal Activity
PCSL Services No.1 Limited	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Supply of Director Services
Capita Trust Corporate Limited	Phoenix House 18 King William Street London EC4N 7HE	Corporate Director of Securitisation Issuance Companies
Capita Trust Corporate Services Limited	Phoenix House 18 King William Street London EC4N 7HE	Corporate Director of Securitisation Issuance Companies

The Secretary of the Issuer is Clifford Chance Secretaries (CCA) Limited; Capita Trust Corporate Services Limited and Capita Trust Corporate Limited also act as directors of special purpose vehicles other than the Issuer.

The registered office of the Issuer is at 10 Upper Bank Street, London, E14 5JJ, telephone number 020 7006 1000.

The directors of PCSL Services No.1 Limited and their respective business addresses and principal activities are:

Name	Address	Principal Activity
David Tweedy	Exchange Tower 2 Harbour Exchange London E14 9FR	Managing Director of Platform Home Loans Limited

<b>Name</b>	<b>Address</b>	<b>Principal Activity</b>
Paul Mills	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Group Secretary of Britannia
Phillip Lee	Britannia House Cheadle Road Leek Staffordshire ST13 5RG	Managing Director of Britannia Capital Investment Group

The company secretary of PCSL Services No.1 Limited is Rosemarie Hylton.

The directors of Capita Trust Corporate Limited and their respective business addresses and principal activities are:

<b>Name</b>	<b>Address</b>	<b>Principal Activity</b>
David Baker	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Susan Elizabeth Lawrence	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Sean Peter Martin	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Colin Benford	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Jonathan Glyn Vickers	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Capita Trust Company Limited	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	Corporate Director

The company secretary of Capita Trust Corporate Limited is Capita Company Secretarial Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The directors of Capita Trust Corporate Services Limited and their respective business addresses and principal activities are:

<b>Name</b>	<b>Address</b>	<b>Principal Activity</b>
David Baker	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Colin Benford	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Susan Elizabeth Lawrence	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Sean Peter Martin	Phoenix House 18 King William Street London EC4N 7HE	Company Director
Jonathan Glyn Vickers	Phoenix House 18 King William Street London EC4N 7HE	Company Director

The company secretary of Capita Trust Corporate Services Limited is Capita Company Secretarial Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

#### **Activities**

The Issuer was established as a special purpose vehicle for the purposes of issuing asset backed securities. The Issuer has been established specifically to acquire the Mortgages pursuant to the Mortgage Sale Agreements, financed by the issue of the Notes. The activities of the Issuer will be restricted by the Conditions and the Transaction Documents and will be limited to the issue of the Notes, the borrowing of the Subordinated Loan, the Expenses Loan, the ownership of the Mortgages and other assets referred to herein, the entry into the Swap Agreements, the exercise of related rights and powers, and other activities referred to herein incidental thereto. These activities will include the collection of payments of principal and interest in respect of Mortgages and the operation of arrears procedures. The Issuer has a licence under the Consumer Credit Act and is registered under the Data Protection Act 1998.

Substantially all of the above activities will be carried on by the Administrators, the Sub-Administrator, or any delegate of the Administrators as agent for the Issuer and the Trustee on an ongoing basis under the Administration Agreement, subject to the rights of the Issuer or the Trustee to revoke the agency upon the occurrence of certain events of default or insolvency or similar events in relation to the Administrators.

Since the date of incorporation of the Issuer, the Issuer has not traded, no profits or losses have been made or incurred, no dividends have been paid and no financial statements have been prepared.

## CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table shows the capitalisation and indebtedness of the Issuer as at the date of this document, adjusted for the issue of the Notes and the drawings under the Subordinated Loan and the Expenses Loan:

<b><u>Share Capital</u></b>	<b>_____£</b>
<i>Authorised</i>	
50,000 Ordinary Shares of £1 each	50,000
<i>Issued</i>	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid up and 49,998 of which are one quarter paid up	12,501.50
<b>Borrowings</b>	
<i>Notes</i>	£1,489,000,000.00
<i>Subordinated Loan</i>	£395,808,374.14
<i>Expenses Loan</i>	£3,000,000.00
<i>Discount Reserve Loan</i>	£44,300,000.00

The borrowings disclosed above are secured, but not guaranteed, and the Issuer has no other borrowings, whether secured or unsecured or guaranteed or unguaranteed.

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

The current financial period of the Issuer will end on 31 December 2008.

## ACCOUNTANTS' REPORT

The following is the text of a report received by the Board of Directors of the Issuer from PricewaterhouseCoopers LLP, Chartered Accountants, the reporting accountants to the Issuer, prepared solely for the purposes of the issue of Notes:

The Directors  
Leek Finance Number Twenty PLC  
10 Upper Bank Street  
London E14 5JJ

30 June 2008

Dear Sirs

### **Leek Finance Number Twenty PLC**

We report on the financial information set out below. This special purpose financial information has been prepared for inclusion in the prospectus dated 30 June 2008 (the **Prospectus**) of Leek Finance Number Twenty PLC (the **Company**) on the basis of the accounting policies set out below. This report is required by item 8.2 of Annex VII to Commission Regulation (EC) No 809/2004 (the **Prospectus Regulation**) and is given for the purpose of complying with that rule and for no other purpose.

The Company was incorporated on 19 March 2007 as Spanglehurst PLC, and changed its name to Leek Finance Number Twenty PLC with effect from 27 July 2007. The Company has not yet commenced to trade, has made up no financial statements for presentation to its members and has not declared or paid a dividend.

### **Responsibility**

The directors of the Company are responsible for preparing the special purpose financial information in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**).

It is our responsibility to form an opinion as to whether the special purpose financial information gives a true and fair view for the purpose of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.4R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 9.1 of Annex VII to the Prospectus Regulation, consenting to its inclusion in the Prospectus.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the special purpose financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the special purpose financial statements and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the special purpose financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the special purpose financial information gives, for the purposes of the Prospectus dated 30 June 2008, a true and fair view of the state of affairs of the Company as at the date stated and of its results and cash flows for the period then ended in accordance with IFRS.

**Declaration**

For the purposes of Prospectus Rule 5.5.4R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in accordance with item 1.2 of Annex VII of the Prospectus Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

## Financial information

The balance sheet of the Company at 30 June 2008 is as follows:

	Notes	£
<b>Current assets</b>		
Cash and cash equivalents		12,502
<b>Total assets</b>		12,502
<b>Represented by:</b>		
Share capital	2	12,502

## Notes to the financial information

### 1. Accounting policies

The balance sheet has been prepared in accordance with IFRS.

### 2. Share capital

The Company was incorporated with an authorised share capital of £50,000 comprising 50,000 Ordinary shares of £1 each, 2 of which, at the balance sheet date, are fully paid up and 49,998 are quarter paid up.

### 3. Immediate and ultimate parent company

The immediate parent undertaking is Leek Finance Holdings Number Twenty Limited, a company incorporated in England and Wales. The ultimate parent undertaking is Capita Trust Nominees No. 1 Limited, a company incorporated in England and Wales.

### 4. Profit and loss account

The Company has not traded in the period, has received no income or incurred expenditure and has not paid any dividends. Consequently, no profit and loss account has been prepared.



## BRITANNIA BUILDING SOCIETY

### History and Description of Britannia

Britannia was formed in 1856. It was incorporated under the Building Societies Act 1874 as the Leek and Moorlands Permanent Benefit Building Society. After a merger in 1966 with the Westbourne Park Building Society of London, Britannia changed its name to the Leek and Westbourne Park Building Society and, following a series of further amalgamations, adopted its present name in 1975. The address of the principal office of Britannia is Britannia House, Cheadle Road, Leek, Staffordshire ST13 5RG.

Britannia was, at 31 December 2007, the second largest United Kingdom building society in terms of total consolidated assets. As at such date, it had 254 branches. Its total consolidated assets at 31 December 2007 were approximately £36.8 billion, of which mortgage assets were approximately £23.4 billion.

Britannia and its principal operating subsidiaries provide a wide range of financial, banking and assurance services. The principal subsidiary undertakings which are wholly owned, registered in England and operating in the United Kingdom are listed as follows:

<b>Company</b>	<b>Activity</b>
Britannia Development and Management Company Limited	Property Investment
Britannia Treasury Services Limited	Mortgage and Syndicated Lending
<i>Britannia Treasury Services has the following wholly owned subsidiary undertakings, registered in England, operating in the United Kingdom, trading in the businesses indicated:</i>	
Mortgage Agency Services Number One Limited	Mortgage and Syndicated Lending
Mortgage Agency Services Number Two Limited	Mortgage Lending
Mortgage Agency Services Number Three Limited	Bank Account Custodian
Mortgage Agency Services Number Four Limited	Mortgage Lending
Mortgage Agency Services Number Five Limited	Mortgage Lending
Mortgage Agency Services Number Six Limited	Mortgage Lending
Western Mortgage Services Limited	Mortgage Book Administration
Platform Home Loans Limited	Mortgage Origination and Servicing
Platform Funding Limited	Mortgage Origination

*Britannia has the following wholly owned subsidiary undertakings, trading in the businesses indicated:*

*Registered in the Isle of Man and operating overseas:*

Britannia International Limited	Deposit Taking
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*Registered in Guernsey and operating overseas:*

Britsafe Insurance Services (Guernsey) Limited	Mortgage Insurance Company
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*Registered in Scotland and operating in the United Kingdom:*

### **Form, Status and Objects**

Britannia is incorporated under the Building Societies Act 1986 (as amended) (the **Act**) for an unlimited duration. It operates in accordance with the Act, regulations and orders made thereunder and Britannia's registered Rules and Memorandum. Britannia is a building society within the meaning of the Act and is registered with the Central Office of the Registry of Friendly Societies in London, Register Number 322B. The affairs of Britannia are conducted and managed by a Board of Directors who are elected and who serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of Britannia and appoints and supervises executives who are responsible to the Board for the daily management of Britannia.

The principal purpose of Britannia as stated in Clause 2 of its Memorandum, is to raise, primarily by the subscriptions of the members of Britannia, a stock or fund for making to them advances secured on land for their residential use.

### **Recent developments**

On 22 June 2006, Britannia announced that HM Revenue and Customs (**HMRC**) are enquiring into the tax treatment of some foreign currency swaps, which are not related to the Notes, entered into in 2002 between Britannia and certain third parties. Britannia said professional tax advice had been obtained before undertaking such foreign currency swaps and that, following the execution of such foreign currency swaps, the treatment thereof had been the subject of ongoing discussions between Britannia and HMRC. However, on 21 June 2006, HMRC and the police exercised powers granted to them by a warrant issued under Section 20C (*Entry with Warrant to Obtain Documents*) of the Taxes Management Act 1970. The exercise of such powers included the searching of Britannia's premises for evidence with respect to the HMRC enquiry. Three employees of Britannia were taken into custody for questioning by the police in connection with the HMRC enquiry and were subsequently released on that same day without charges being made. Britannia does not know how long the HMRC enquiry will be ongoing.

Britannia remains confident that the outcome of the HMRC enquiry will not have a material effect on the assets and liabilities, financial position or prospects of Britannia or the Issuer.

### **PLATFORM FUNDING LIMITED**

PFL was incorporated and registered in England and Wales under the Companies Act 1985 on 26 September 1997 as a private limited company with company registration number 3456337. The registered office of PFL is Exchange Tower, 2 Harbour Exchange, London E14 9FR. PFL was established for the purpose of originating residential mortgage loans (including Buy-to-Let Loans) to borrowers in England, Wales, Scotland and Northern Ireland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems, being in each case people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (**Non-Conforming Mortgages**).

### **MEERBROOK FINANCE NUMBER THREE LIMITED**

Meerbrook 3 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability under the name Jugplace Limited a private limited company on 21 December 2005 with company registration number 05660007. Jugplace Limited changed its name on 13 January 2006 to Meerbrook Finance Number Three Limited. The registered office of Meerbrook 3 is 10 Upper Bank Street, London E14 5JJ. Its principal activities are the purchase and warehousing of mortgage loans originated by PFL pursuant to an origination and sale agreement entered into with PFL.

### **PLATFORM HOME LOANS LIMITED**

PHL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 12 January 1989 with company registration number 2334606. The registered office of PHL is Exchange Tower, 2 Harbour Exchange Square, London E14 9FR.

### **BRITANNIA TREASURY SERVICES LIMITED**

BTSL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 7 July 1997 with company registration number 3416197. The registered office of BTSL is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG.

### **WESTERN MORTGAGE SERVICES LIMITED**

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is the MoneyCentre, Drake Circus, Plymouth, Devon PL1 1QJ. Following the acquisition of Western Trust and Savings Limited (**WTS**) in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by Britannia on 27 January 1997 and the shares subsequently transferred to BTSL. WMS currently provides centralised residential mortgage processing and loan administration services to Britannia and a limited number of third party mortgage originators.

### **GMAC-RFC LIMITED**

GMAC-RFC Limited is a private limited company incorporated in England and Wales under the Companies Act 1985 on 6 January 1998. GMAC-RFC Limited was formed by Residential Funding Company, LLC, a directly wholly owned subsidiary of Residential Capital, LLC and an indirectly wholly owned subsidiary of GMAC, LLC (formerly General Motors Acceptance Corporation). With effect from 1 December 2006, FIM Holdings, LLC purchased a 51 per cent. equity interest in GMAC, LLC. FIM Holdings, LLC is an investment company formed for the purpose of acquiring General Motors Acceptance Corporation. FIM Holdings, LLC is a consortium led by Cerberus Capital Management, and also comprised of three other companies: Citigroup Alternative Investments, Aozora Bank and a subsidiary of PNC Financial Services Group, Inc. GMAC, LLC was previously a wholly owned subsidiary of General Motors Corporation, which continues to hold an indirect 49 per cent. equity interest in GMAC, LLC.

GMAC-RFC Limited's primary business is to provide mortgage services in the UK through intermediaries and other financial institutions. GMAC-RFC Limited originates mortgage loans to borrowers in England, Wales and Scotland and has also in the past originated mortgage loans to borrowers in Northern Ireland, including mainstream, buy-to-let, self-certification and non-conforming mortgage loans.

The registered office of GMAC-RFC Limited is at Eastern Gate, Brants Bridge, Bracknell, Berkshire RG12 9BZ.

#### **MORTGAGE AGENCY SERVICES NUMBER FIVE LIMITED**

MAS5 was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 19 April 2002 with company registration number 4420522. The registered office of MAS5 is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG. Its principal activities relate to the purchase of portfolios of mortgage loans.

## INTEREST RATE SWAP COUNTERPARTY, GIC PROVIDER AND GIC GUARANTOR

### General

The Royal Bank of Scotland Group plc (**RBSG**) is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £44.4 billion at 31 December 2007. Headquartered in Edinburgh, RBSG operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (**RBS**) and National Westminster Bank Plc (**NatWest**). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. RBSG has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

RBSG's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than ABN AMRO businesses (see below) and the general insurance business (primarily Direct Line Group and Churchill Insurance).

RBSG had total assets of £1,900.5 billion and total equity (including minority interests) of £91.4 billion at 31 December 2007. RBS had total assets of £1,115.7 billion and shareholders' equity of £47.7 billion at 31 December 2007. RBSG had a total capital ratio of 11.2 per cent. and tier 1 capital ratio of 7.3 per cent as at 31 December 2007.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA by Fitch.

### ABN AMRO

On 17 October 2007, RFS Holdings B.V. (**RFS Holdings**), a company jointly owned by RBSG, Fortis N.V., Fortis SA/NV and Banco Santander S.A.) (the **Consortium Banks**) and controlled by RBSG, completed the acquisition of ABN AMRO Holding N.V. (**ABN AMRO**). ABN AMRO is a major international banking group with a leading position in international payments and a strong investment banking franchise with particular strengths in emerging markets, as well as offering a range of retail and commercial financial services around the world via regional business units in Europe, the Netherlands, North America, Latin America and Asia. RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO with RBS principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Banks.

### Rights Issue

On 22 April 2008, RBSG announced an 11 for 18 rights issue, at an issue price of 200 pence per RBSG share, to increase its capital base by raising £12 billion, net of expenses. On 9 June 2008, RBSG announced that, as at 11.00 a.m. on 6 June 2008, being the latest date for receipt of valid subscriptions, it had received valid acceptances in respect of approximately 95.11 per cent. of the total number of new RBSG ordinary shares offered to shareholders pursuant to the rights issue.

RBSG also announced that the underwriters of the rights issue had procured subscribers for the remaining 299,375,022 new RBSG ordinary shares, for which valid acceptances were not received, at a price of 230 pence per share.

### Angel Trains

On 13 June 2008, RBSG announced that it had signed a definitive agreement regarding the sale of Angel Trains Group (**Angel Trains**) to a consortium advised by Babcock & Brown. The transaction values Angel Trains at an enterprise value of £3.6 billion. Completion is expected to take place before the end of 2008.

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## BASIS SWAP COUNTERPARTY

JPMorgan Chase Bank, National Association (**JPMCB**) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMCB 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 March 2008, JPMCB had total assets of \$1,407.6 billion, total net loans of \$477.5 billion, total deposits of \$806.3 billion, and total stockholder's equity of \$108.9 billion. These figures are extracted from the JPMCB's unaudited Consolidated Reports of Condition and Income (the **Call Report**) as at 31 March 2008, 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](http://www.fdic.gov).

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2007, of JPMorgan Chase & Co., the 2007 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 Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at [www.sec.gov](http://www.sec.gov).

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

## **COLLECTION AND SUNDRIES ACCOUNTS PROVIDER**

### **National Westminster Bank Plc**

National Westminster Bank Plc will be the collection and the sundries accounts provider (the **Collection and Sundries Accounts Provider**).

National Westminster Bank Plc is a wholly owned subsidiary of The Royal Bank of Scotland plc which in turn is a wholly owned subsidiary of The Royal Bank of Scotland Group plc. National Westminster Bank Plc is incorporated and registered in England and Wales as a public limited company with company registration number 929027 and its registered office is 135 Bishopsgate, London EC2M 3UR. National Westminster Bank Plc is a major UK clearing bank and it has a large and diversified customer base and provides a wide range of products and services to personal commercial and large corporate and institutional customers.

*The information contained in this section relates to and has been obtained from National Westminster Bank Plc. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of National Westminster Bank Plc since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.*



## USE OF PROCEEDS

The gross proceeds of the issue of the Notes are expected to amount to £1,489,000,000.00 and will be used in part in financing the purchase of the Mortgages from PFL under the PFL Mortgage Sale Agreement, Meerbrook 3 under the Meerbrook 3 Mortgage Sale Agreement and MAS5 under the MAS5 Mortgage Sale Agreement and in purchasing any Retentions and Further Advances in respect of any of the Mortgages.

Amounts drawn under the Tranche A Sub Loan Drawing will be paid directly to the Issuer on or prior to the Closing Date and will be used in part in financing the purchase of the Mortgages from PFL under the PFL Mortgage Sale Agreement, Meerbrook 3 under the Meerbrook 3 Mortgage Sale Agreement and MAS5 under the MAS5 Mortgage Sale Agreement and in purchasing any Retentions and Further Advances in respect of any of the Mortgages and amounts drawn under the Tranche B Sub Loan Drawing will be applied towards funding the Required Amount which shall be deposited in the Relevant GIC Account and utilised as a reserve fund as described in the section entitled "*Credit Structure – Required Amount*".

The amount drawn under the Expenses Loan will be applied towards funding the Initial Expenses Amount which shall be deposited in the Relevant GIC Account and applied towards payment of the fees to the Co-Arrangers, which fees relate solely to their arranging role in the issue of the Notes, and expenses related to the admission of the Notes to trading (estimated not to exceed £3,000,000).

Amounts drawn under the Discount Reserve Loan will be applied towards funding the Discount Reserve.

## THE MORTGAGE POOL

*The Issuer confirms that the characteristics of the Mortgage Pool are as described in this section. On the Closing Date the assets backing the issue of the Notes, when taken together with the Swap Agreements to be entered into by the Issuer on the Closing Date and taking into account the terms and conditions of the Notes, are expected to have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes. However, regard should be had both to the characteristics of the Mortgage Pool and the other assets available to the Issuer and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this document, including without limitation under "Risk Factors" and "Credit Structure" above.*

### The Mortgage Pool

The Mortgage Pool from time to time after the Closing Date will comprise:

- (a) loans advanced to the Borrowers upon the security of residential property situated in England and Wales, Scotland or Northern Ireland (each a **Borrower**) and on Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreements;
- (b) Converted Mortgages; and
- (c) any Further Advances purchased by the Issuer,

other than, in each such case, Mortgages which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreements.

### Characteristics of the Mortgage Pool

The following tables set out information representative of the characteristics of the Mortgage Pool as at 30 April 2008 (the **Provisional Cut-Off Date**).

The balance of the Mortgages in the following tables is shown as at the Provisional Cut-Off Date (the pool of Mortgages as at the Provisional Cut-Off Date being the **Provisional Pool**). The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Mortgage Pool as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Mortgages prior to the Closing Date.

### Security

All of the Mortgages are secured by first ranking mortgages or (in Scotland) Standard Securities.

### Interest Rate Types

The Provisional Pool consists of:

- (a) 38.87 per cent. of the Mortgages which are LIBOR-linked mortgages where the applicable rate of interest for each mortgage loan (the **Mortgage Rate**) is (currently or after a specific period) calculated by reference to LIBOR plus a fixed margin or margins expressed as a percentage over LIBOR (the **LIBOR-Linked Mortgages**), including:
  - (i) 3.87 per cent. of the Mortgages where the Mortgage Rate is discounted for a specific period and reverts to the full Mortgage Rate, with the latest date of reversion being November 2010 (the **LIBOR Discount Mortgages**);
  - (ii) 34.36 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Mortgage Rate, with the latest date of reversion being December 2010 (the **Fixed Reverting to LIBOR Mortgages**); and

- (iii) 0.64 per cent. of the Mortgages which are linked to LIBOR for the life of the mortgage (the **LIBOR Mortgages**).

The Mortgage Rate payable under the LIBOR-Linked Mortgages is calculated as a specified margin, in excess of LIBOR quoted by the British Bankers Association for three-month Sterling deposits (subject to rounding) on or about (a) the 1st day of March, June, September and December of each year (**PFL Mortgage LIBOR**) and (b) the 12th day of March, June, September and December of each year (**MAS5 Mortgage LIBOR**) and together with PFL Mortgage LIBOR, the **Relevant LIBOR**).

- (b) 61.05 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate (the **Base Rate Mortgage Rate**) that is based on the Bank of England's base rate (the **Base Rate** and the **Base Rate Mortgages**) plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, including:
  - (i) 16.37 per cent. of the Mortgages where the Base Rate Mortgage Rate is discounted for a specific period and reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being December 2010 (the **Base Rate Tracker Discount Mortgages**);
  - (ii) 38.19 per cent. of the Mortgages have a fixed rate of interest for a specific period that reverts to the Base Rate Mortgage Rate, with the latest date of reversion being November 2012 (the **Fixed Reverting to Base Rate Tracker Mortgages**); and
  - (iii) 6.49 per cent. of the Mortgages which are linked to Base Rate for the life of the mortgage (the **Base Rate Tracker Mortgages**).
- (c) 0.08 per cent. of the Mortgages which have (currently or after a specific period) a variable interest rate that is based on the Base Rate (the **Variable Standard Rate Mortgages**).

## MORTGAGE POOL DATA TABLES

The following tables consist of information on the Provisional Pool and are described as follows:

Section A:	all pool data (£1,892,185,899);
Section B:	data relating to PFL and GMAC-RFC originated prime residential mortgage loans (£683,718,248 which amounts to 36.13 per cent. of the Provisional Pool;
Section C:	data relating to PFL and GMAC-RFC originated non-conforming residential mortgage loans (£873,586,304 which amounts to 46.17 per cent. of the Provisional Pool); and
Section D:	data relating to PFL and GMAC-RFC originated buy-to-let mortgage loans (£334,881,347 which amounts to 17.70 per cent. of the Provisional Pool).

The loan to value ratios in the tables are referenced to the seasonally adjusted Halifax housing index and the seasonally adjusted Nationwide housing index up to April 2008. Percentage columns in the tables may not total 100 per cent. due to rounding.

## Whole Pool

Key data on the Provisional Pool

30-Apr-08

Aggregate Initial Loan Balance (£)	1,892,185,899
Largest Loan (£)	724,241
Number of Loans	14,117
Number of Loan Parts	14,239
Average balance of Mortgage Loan (£)	132,888
Longest Dated Mortgage Legal Maturity	21-Dec-2037
% Investment Home Loans	17.70%

Weighted Average Current Loan to Value	84.53%
Weighted Average Halifax Indexed Loan To Value	85.49%
Weighted Average Nationwide Indexed Loan To Value	83.63%

Weighted Average Current Loan to Value (London)	84.58%
Weighted Average Current Loan to Value (South East)	85.62%
Weighted Average Current Loan to Value (Rest of UK)	83.99%

Weighted Average Seasoning	1.0406 years
Weighted Average Seasoning (London)	1.0575 years
Weighted Average Seasoning (South East)	1.0429 years
Weighted Average Seasoning (Rest of UK)	1.0351 years

## Distribution of Loans by Sub-pool

Distribution by Sub-pool	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
GMAC-RFC	498,588,584	26.35%	3,931	27.85%
PHL	1,393,597,314	73.65%	10,186	72.15%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

## Distribution of Loans by Loan to Value

Distribution by Loan to Value	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	4,786,444.03	0.25%	107	0.76%
More than 25% up to and including 50%	52,869,367.05	2.79%	677	4.80%
More than 50% up to and including 55%	27,643,347.10	1.46%	297	2.10%
More than 55% up to and including 60%	31,404,692.04	1.66%	301	2.13%
More than 60% up to and including 65%	47,149,169.69	2.49%	425	3.01%
More than 65% up to and including 70%	71,993,555.63	3.80%	610	4.32%
More than 70% up to and including 75%	99,898,758.08	5.28%	804	5.70%
More than 75% up to and including 80%	112,891,145.19	5.97%	847	6.00%
More than 80% up to and including 85%	181,970,803.83	9.62%	1,391	9.85%
More than 85% up to and including 90%	402,357,199.98	21.26%	2,937	20.80%
More than 90% up to and including 95%	486,497,736.22	25.71%	3,198	22.65%
More than 95% up to and including 100%	372,723,679.94	19.70%	2,523	17.87%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>99.23%</b>			
<b>Minimum Loan to Value</b>	<b>7.45%</b>			
<b>WA Loan to Value</b>	<b>84.53%</b>			

## Distribution of Loans by Halifax Indexed Loan To Value

Distribution by Loan to Value	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	4,577,151	0.24%	105	0.74%
More than 25% up to and including 50%	51,082,643	2.70%	662	4.69%
More than 50% up to and including 55%	25,170,496	1.33%	270	1.91%
More than 55% up to and including 60%	29,896,897	1.58%	291	2.06%
More than 60% up to and including 65%	46,253,505	2.44%	422	2.99%
More than 65% up to and including 70%	64,880,671	3.43%	571	4.04%
More than 70% up to and including 75%	101,997,142	5.39%	817	5.79%
More than 75% up to and including 80%	144,119,349	7.62%	1,121	7.94%
More than 80% up to and including 85%	196,806,853	10.40%	1,448	10.26%
More than 85% up to and including 90%	393,466,723	20.79%	2,809	19.90%
More than 90% up to and including 95%	433,949,385	22.93%	2,867	20.31%
More than 95% up to and including 100%	205,470,576	10.86%	1,455	10.31%
More than 100%	194,514,508	10.28%	1,279	9.06%

<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.42%</b>			
<b>Minimum Loan to Value</b>	<b>6.42%</b>			
<b>WA Loan to Value</b>	<b>85.49%</b>			

#### Distribution of Loans by Nationwide Indexed Loan To Value

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	5,075,673	0.27%	113	0.80%
More than 25% up to and including 50%	55,154,054	2.91%	704	4.99%
More than 50% up to and including 55%	27,459,450	1.45%	290	2.05%
More than 55% up to and including 60%	33,851,399	1.79%	322	2.28%
More than 60% up to and including 65%	51,032,491	2.70%	468	3.32%
More than 65% up to and including 70%	73,577,745	3.89%	625	4.43%
More than 70% up to and including 75%	113,605,691	6.00%	899	6.37%
More than 75% up to and including 80%	152,299,099	8.05%	1,174	8.32%
More than 80% up to and including 85%	258,226,644	13.65%	1,879	13.31%
More than 85% up to and including 90%	460,715,871	24.35%	3,283	23.26%
More than 90% up to and including 95%	379,974,926	20.08%	2,487	17.62%
More than 95% up to and including 100%	270,822,164	14.31%	1,789	12.67%
More than 100%	10,390,691	0.55%	84	0.60%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.84%</b>			
<b>Minimum Loan to Value</b>	<b>6.52%</b>			
<b>WA Loan to Value</b>	<b>83.63%</b>			

#### Distribution of Loans by Loan To Value (London)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	511,438.44	0.18%	8	0.57%
More than 25% up to and including 50%	8,480,928.62	2.97%	60	4.29%
More than 50% up to and including 55%	2,831,603.30	0.99%	19	1.36%
More than 55% up to and including 60%	4,520,630.08	1.58%	24	1.71%
More than 60% up to and including 65%	7,542,129.33	2.64%	44	3.14%
More than 65% up to and including 70%	8,532,614.15	2.99%	46	3.29%
More than 70% up to and including 75%	15,294,743.97	5.36%	81	5.79%
More than 75% up to and including 80%	18,001,948.08	6.31%	85	6.07%
More than 80% up to and including 85%	25,840,300.77	9.06%	127	9.07%
More than 85% up to and including 90%	63,192,875.76	22.15%	299	21.36%
More than 90% up to and including 95%	78,176,738.43	27.40%	347	24.79%
More than 95% up to and including 100%	52,388,770.61	18.36%	260	18.57%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>285,314,722</b>	<b>100.00%</b>	<b>1,400</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.11%</b>			
<b>Minimum Loan to Value</b>	<b>12.17%</b>			
<b>WA Loan to Value</b>	<b>84.58%</b>			

#### Distribution of Loans by Halifax Indexed Loan To Value (London)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	445,663	0.16%	8	0.57%
More than 25% up to and including 50%	8,433,702	2.96%	58	4.14%
More than 50% up to and including 55%	2,952,845	1.03%	21	1.50%
More than 55% up to and including 60%	3,226,288	1.13%	17	1.21%
More than 60% up to and including 65%	6,907,169	2.42%	38	2.71%
More than 65% up to and including 70%	7,313,966	2.56%	44	3.14%
More than 70% up to and including 75%	15,535,806	5.45%	81	5.79%
More than 75% up to and including 80%	26,423,151	9.26%	130	9.29%
More than 80% up to and including 85%	35,330,705	12.38%	171	12.21%
More than 85% up to and including 90%	62,271,951	21.83%	301	21.50%
More than 90% up to and including 95%	67,173,214	23.54%	304	21.71%
More than 95% up to and including 100%	24,980,352	8.76%	118	8.43%
More than 100%	24,319,909	8.52%	109	7.79%
<b>Grand Total</b>	<b>285,314,722</b>	<b>100.00%</b>	<b>1,400</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>102.99%</b>			
<b>Minimum Loan to Value</b>	<b>12.39%</b>			
<b>WA Loan to Value</b>	<b>85.25%</b>			

#### Distribution of Loans by Nationwide Indexed Loan To Value (London)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	586,453	0.21%	9	0.64%
More than 25% up to and including 50%	8,617,695	3.02%	60	4.29%
More than 50% up to and including 55%	3,060,955	1.07%	21	1.50%
More than 55% up to and including 60%	5,007,077	1.75%	26	1.86%
More than 60% up to and including 65%	7,051,725	2.47%	41	2.93%
More than 65% up to and including 70%	9,223,399	3.23%	52	3.71%
More than 70% up to and including 75%	16,848,118	5.91%	86	6.14%
More than 75% up to and including 80%	28,874,396	10.12%	139	9.93%
More than 80% up to and including 85%	41,549,792	14.56%	205	14.64%
More than 85% up to and including 90%	70,227,477	24.61%	337	24.07%
More than 90% up to and including 95%	58,624,812	20.55%	263	18.79%
More than 95% up to and including 100%	34,645,169	12.14%	156	11.14%
More than 100%	997,652	0.35%	5	0.36%
<b>Grand Total</b>	<b>285,314,722</b>	<b>100.00%</b>	<b>1,400</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>100.39%</b>			
<b>Minimum Loan to Value</b>	<b>12.09%</b>			
<b>WA Loan to Value</b>	<b>83.43%</b>			

#### Distribution of Loans by Loan To Value (South East)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,266,496.97	0.24%	25	0.81%
More than 25% up to and including 50%	10,329,089.62	1.97%	103	3.32%
More than 50% up to and including 55%	6,284,858.71	1.20%	56	1.80%
More than 55% up to and including 60%	7,101,697.55	1.36%	50	1.61%
More than 60% up to and including 65%	12,453,113.35	2.38%	89	2.87%
More than 65% up to and including 70%	21,295,609.47	4.07%	142	4.58%
More than 70% up to and including 75%	23,403,498.97	4.47%	150	4.83%
More than 75% up to and including 80%	30,251,420.55	5.78%	188	6.06%
More than 80% up to and including 85%	47,622,223.38	9.09%	278	8.96%
More than 85% up to and including 90%	104,346,813.70	19.92%	618	19.92%
More than 90% up to and including 95%	135,607,145.93	25.89%	718	23.14%
More than 95% up to and including 100%	123,781,344.59	23.63%	686	22.11%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>523,743,313</b>	<b>100.00%</b>	<b>3,103</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.50%</b>			
<b>Minimum Loan to Value</b>	<b>8.61%</b>			
<b>WA Loan to Value</b>	<b>85.62%</b>			

#### Distribution of Loans by Halifax Indexed Loan To Value (South East)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,309,345	0.25%	26	0.84%
More than 25% up to and including 50%	9,695,388	1.85%	96	3.09%
More than 50% up to and including 55%	5,134,650	0.98%	45	1.45%
More than 55% up to and including 60%	7,039,582	1.34%	52	1.68%
More than 60% up to and including 65%	10,855,773	2.07%	78	2.51%
More than 65% up to and including 70%	19,406,448	3.71%	129	4.16%
More than 70% up to and including 75%	25,368,945	4.84%	156	5.03%
More than 75% up to and including 80%	38,396,666	7.33%	257	8.28%
More than 80% up to and including 85%	51,979,553	9.92%	306	9.86%
More than 85% up to and including 90%	109,404,492	20.89%	645	20.79%
More than 90% up to and including 95%	121,814,717	23.26%	648	20.88%
More than 95% up to and including 100%	61,936,763	11.83%	335	10.80%
More than 100%	61,400,990	11.72%	330	10.63%
<b>Grand Total</b>	<b>523,743,313</b>	<b>100.00%</b>	<b>3,103</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.21%</b>			
<b>Minimum Loan to Value</b>	<b>9.09%</b>			
<b>WA Loan to Value</b>	<b>86.53%</b>			

#### Distribution of Loans by Nationwide Indexed Loan To Value (South East)

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,309,345	0.25%	26	0.84%
More than 25% up to and including 50%	10,708,135	2.04%	105	3.38%

More than 50% up to and including 55%	6,266,350	1.20%	52	1.68%
More than 55% up to and including 60%	6,834,667	1.30%	55	1.77%
More than 60% up to and including 65%	13,734,994	2.62%	92	2.96%
More than 65% up to and including 70%	21,277,578	4.06%	144	4.64%
More than 70% up to and including 75%	27,915,183	5.33%	169	5.45%
More than 75% up to and including 80%	39,596,165	7.56%	263	8.48%
More than 80% up to and including 85%	69,193,914	13.21%	398	12.83%
More than 85% up to and including 90%	130,908,911	24.99%	769	24.78%
More than 90% up to and including 95%	106,489,856	20.33%	546	17.60%
More than 95% up to and including 100%	88,042,557	16.81%	475	15.31%
More than 100%	1,465,658	0.28%	9	0.29%
<b>Grand Total</b>	<b>523,743,313</b>	<b>100.00%</b>	<b>3,103</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.55%</b>			
<b>Minimum Loan to Value</b>	<b>8.84%</b>			
<b>WA Loan to Value</b>	<b>84.65%</b>			

**Distribution of Loans by Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	3,008,509	0.28%	74	0.77%
More than 25% up to and including 50%	34,059,349	3.14%	514	5.35%
More than 50% up to and including 55%	18,526,885	1.71%	222	2.31%
More than 55% up to and including 60%	19,782,364	1.83%	227	2.36%
More than 60% up to and including 65%	27,153,927	2.51%	292	3.04%
More than 65% up to and including 70%	42,165,332	3.89%	422	4.39%
More than 70% up to and including 75%	61,200,515	5.65%	573	5.96%
More than 75% up to and including 80%	64,637,777	5.97%	574	5.97%
More than 80% up to and including 85%	108,508,280	10.02%	986	10.26%
More than 85% up to and including 90%	234,817,511	21.68%	2,020	21.01%
More than 90% up to and including 95%	272,713,852	25.18%	2,133	22.19%
More than 95% up to and including 100%	196,553,565	18.15%	1,577	16.40%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,083,127,864</b>	<b>100.00%</b>	<b>9,614</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>99.23%</b>			
<b>Minimum Loan to Value</b>	<b>7.45%</b>			
<b>WA Loan to Value</b>	<b>83.99%</b>			

**Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	2,822,143	0.26%	71	0.74%
More than 25% up to and including 50%	32,953,552	3.04%	508	5.28%
More than 50% up to and including 55%	17,083,001	1.58%	204	2.12%
More than 55% up to and including 60%	19,631,027	1.81%	222	2.31%
More than 60% up to and including 65%	28,490,563	2.63%	306	3.18%
More than 65% up to and including 70%	38,160,257	3.52%	398	4.14%
More than 70% up to and including 75%	61,092,391	5.64%	580	6.03%
More than 75% up to and including 80%	79,299,532	7.32%	734	7.63%
More than 80% up to and including 85%	109,496,594	10.11%	971	10.10%
More than 85% up to and including 90%	221,790,280	20.48%	1,863	19.38%
More than 90% up to and including 95%	244,961,455	22.62%	1,915	19.92%
More than 95% up to and including 100%	118,553,460	10.95%	1,002	10.42%
More than 100%	108,793,610	10.04%	840	8.74%
<b>Grand Total</b>	<b>1,083,127,864</b>	<b>100.00%</b>	<b>9,614</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.42%</b>			
<b>Minimum Loan to Value</b>	<b>6.42%</b>			
<b>WA Loan to Value</b>	<b>85.05%</b>			

**Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	3,179,875	0.29%	78	0.81%
More than 25% up to and including 50%	35,828,225	3.31%	539	5.61%
More than 50% up to and including 55%	18,132,144	1.67%	217	2.26%
More than 55% up to and including 60%	22,009,655	2.03%	241	2.51%
More than 60% up to and including 65%	30,245,771	2.79%	335	3.48%
More than 65% up to and including 70%	43,076,768	3.98%	429	4.46%
More than 70% up to and including 75%	68,842,390	6.36%	644	6.70%
More than 75% up to and including 80%	83,828,538	7.74%	772	8.03%



More than 80% up to and including 85%	147,482,939	13.62%	1,276	13.27%
More than 85% up to and including 90%	259,579,483	23.97%	2,177	22.64%
More than 90% up to and including 95%	214,860,258	19.84%	1,678	17.45%
More than 95% up to and including 100%	148,134,438	13.68%	1,158	12.04%
More than 100%	7,927,381	0.73%	70	0.73%
<b>Grand Total</b>	<b>1,083,127,864</b>	<b>100.00%</b>	<b>9,614</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.84%</b>			
<b>Minimum Loan to Value</b>	<b>6.52%</b>			
<b>WA Loan to Value</b>	<b>83.19%</b>			

#### Distribution of Loans by Current Balance

<b>Distribution by Current Balance (£)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to £30k	2,039,073	0.11%	79	0.56%
More than £30k up to and including £50k	19,830,436	1.05%	472	3.34%
More than £50k up to and including £75k	120,264,464	6.36%	1,880	13.32%
More than £75k up to and including £100k	229,899,731	12.15%	2,634	18.66%
More than £100k up to and including £125k	287,143,001	15.18%	2,562	18.15%
More than £125k up to and including £150k	252,363,277	13.34%	1,845	13.07%
More than £150k up to and including £200k	425,517,387	22.49%	2,481	17.57%
More than £200k up to and including £400k	525,137,834	27.75%	2,099	14.87%
More than £400k	29,990,695	1.58%	65	0.46%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>
<b>Maximum Current Balance (£)</b>	<b>724,241</b>			
<b>Minimum Current Balance (£)</b>	<b>6,516</b>			
<b>Average Current Balance (£)</b>	<b>134,036</b>			

#### Distribution by Remaining Life of Mortgage

<b>Distribution by Remaining Life of Mortgage (years)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
0 and less than or equal to 10 years	77,276,407	4.08%	602	4.26%
Greater than 10 and less than or equal to 15 years	154,650,325	8.17%	1,189	8.42%
Greater than 15 and less than or equal to 20 years	346,077,567	18.29%	2,596	18.39%
Greater than 20 and less than or equal to 25 years	1,098,654,994	58.06%	7,940	56.24%
Greater than 25 and less than or equal to 30 years	215,526,604	11.39%	1,790	12.68%
Greater than 30 years	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>
<b>Maximum Remaining Life (years)</b>	<b>29.64</b>			
<b>Minimum Remaining Life (years)</b>	<b>3.77</b>			
<b>WA Remaining Life (years)</b>	<b>21.87</b>			

#### Geographical Distribution of Mortgages

<b>Region</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
East Anglia	49,261,607	2.60%	372	2.64%
East Midlands	113,247,646	5.99%	974	6.90%
Greater London	285,314,722	15.08%	1,400	9.92%
North	76,030,229	4.02%	792	5.61%
North West	197,873,050	10.46%	1,827	12.94%
Northern Ireland	30,789,123	1.63%	248	1.76%
Scotland	112,278,891	5.93%	1,135	8.04%
South East	523,743,313	27.68%	3,103	21.98%
South West	133,099,631	7.03%	914	6.47%
Wales	79,713,073	4.21%	715	5.06%
West Midlands	154,952,451	8.19%	1,346	9.53%
Yorkshire Humber	135,882,164	7.18%	1,291	9.15%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b> <b>0 CCJ's</b>	<b>Current Balance (£)</b> <b>=1 CCJ</b>	<b>Current Balance (£)</b> <b>&gt;1 CCJ</b>
Less than or equal to 25%	4,293,020	444,059	49,365
More than 25% up to and including 50%	47,816,905	4,055,597	996,865
More than 50% up to and including 55%	24,446,191	2,552,597	644,559
More than 55% up to and including 60%	30,033,034	1,031,797	339,861
More than 60% up to and including 65%	42,520,977	3,567,918	1,060,274
More than 65% up to and including 70%	65,903,701	3,857,508	2,232,347

More than 70% up to and including 75%	92,655,043	5,438,960	1,804,755
More than 75% up to and including 80%	102,127,935	7,621,180	3,142,030
More than 80% up to and including 85%	167,995,608	10,650,067	3,325,129
More than 85% up to and including 90%	380,343,326	14,366,073	7,647,801
More than 90% up to and including 95%	467,506,340	15,118,034	3,873,361
More than 95% up to and including 100%	358,608,014	12,292,205	1,823,460
More than 100%	-	-	-
<b>Grand Total</b>	<b>1,784,250,095</b>	<b>80,995,997</b>	<b>26,939,807</b>

#### Self certified Codes

<b>Self certified Codes</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
No	832,380,885	43.99%	7,100	50.29%
Yes	1,059,805,014	56.01%	7,017	49.71%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Repayment Method

<b>Repayment Method</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Interest Only	1,386,712,790	73.29%	9,366	66.35%
Mixed	200,660	0.01%	2	0.01%
Repayment	505,272,449	26.70%	4,749	33.64%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Purpose of Loan

<b>Purpose of Loan</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Purchase	931,179,387	49.21%	6,156	43.61%
Refinance	566,849,374	29.96%	4,274	30.28%
Right to buy Purchase	43,315,348	2.29%	566	4.01%
Right to buy Refinance	9,774,276	0.52%	121	0.86%
Investment home loans Purchase	187,847,467	9.93%	1,683	11.92%
Investment home loans Refinance	153,220,046	8.10%	1,317	9.33%
Not available (other)	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Distribution of Mortgages Currently in Arrears

<b>Distribution by Arrears</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Current	1,730,011,487.08	91.43%	12,930	91.59%
Up to one month	90,823,550.81	4.80%	670	4.75%
Over one month and up to two months	36,546,076.00	1.93%	279	1.98%
Over two months and up to three months	19,474,954.16	1.03%	133	0.94%
Over three months and up to four months	7,335,536.71	0.39%	53	0.38%
Over four months	7,994,294.02	0.42%	52	0.37%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Distribution by Property Category

<b>Distribution by Property Type</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Bungalow	65,504,376	3.46%	432	3.06%
Flat	366,563,455	19.37%	2,861	20.27%
Detached	249,159,255	13.17%	1,210	8.57%
Semi-detached	504,206,467	26.65%	3,729	26.41%
Terraced	706,752,345	37.35%	5,885	41.69%
Not available	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Distribution by Month of Origin

<b>Date</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
April 2005	164,775	0.01%	2	0.01%
May 2005	1,321,757	0.07%	10	0.07%
June 2005	1,240,180	0.07%	9	0.06%

July 2005	2,812,743	0.15%	22	0.16%
August 2005	4,986,759	0.26%	39	0.28%
September 2005	4,372,865	0.23%	38	0.27%
October 2005	6,698,859	0.35%	54	0.38%
November 2005	17,936,178	0.95%	155	1.10%
December 2005	15,977,779	0.84%	131	0.93%
January 2006	8,330,711	0.44%	66	0.47%
February 2006	8,364,209	0.44%	72	0.51%
March 2006	9,466,379	0.50%	69	0.49%
April 2006	8,999,648	0.48%	70	0.50%
May 2006	9,606,226	0.51%	77	0.55%
June 2006	13,201,192	0.70%	97	0.69%
July 2006	13,227,603	0.70%	99	0.70%
August 2006	18,781,805	0.99%	152	1.08%
September 2006	23,327,802	1.23%	186	1.32%
October 2006	26,239,159	1.39%	194	1.37%
November 2006	32,943,285	1.74%	251	1.78%
December 2006	36,912,691	1.95%	269	1.91%
January 2007	55,055,985	2.91%	396	2.81%
February 2007	210,035,769	11.10%	1,640	11.62%
March 2007	290,447,011	15.35%	2,277	16.13%
April 2007	159,326,779	8.42%	1,185	8.39%
May 2007	128,409,755	6.79%	890	6.30%
June 2007	151,563,658	8.01%	1,060	7.51%
July 2007	124,075,006	6.56%	890	6.30%
August 2007	194,773,990	10.29%	1,405	9.95%
September 2007	152,753,198	8.07%	1,135	8.04%
October 2007	101,175,489	5.35%	741	5.25%
November 2007	44,323,094	2.34%	327	2.32%
December 2007	14,095,669	0.74%	99	0.70%
January 2008	63,849	0.00%	1	0.01%
February 2008	582,824	0.03%	4	0.03%
March 2008	591,217	0.03%	5	0.04%
April 2008	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Distribution by Tenancy

Distribution by Tenancy	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	1,410,427,265	74.54%	10,296	72.93%
Leasehold	415,859,207	21.98%	3,149	22.31%
Heritable	65,899,426	3.48%	672	4.76%
<b>Grand Total</b>	<b>1,892,185,899</b>	<b>100.00%</b>	<b>14,117</b>	<b>100.00%</b>

#### Whole Pool

##### Distribution by Margin and Reversion Margin (vs Date of Reversion)

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
Base Rate Tracker	1.24%	-	6.48%	-	122,886,159.51	6.49%
	1.24%	-	6.48%	-	122,886,159.51	6.49%
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	0.71%	0.99%	5.96%	1.70%	17,009,873.82	0.90%
June 2008	0.90%	0.84%	6.09%	1.73%	5,201,168.46	0.27%
July 2008	0.66%	1.07%	5.91%	1.73%	12,841,192.39	0.68%
August 2008	0.63%	1.13%	5.88%	1.76%	11,564,314.12	0.61%
September 2008	0.64%	1.13%	5.87%	1.77%	12,003,436.49	0.63%
October 2008	0.64%	1.09%	5.88%	1.73%	22,330,134.21	1.18%
November 2008	0.82%	1.02%	6.02%	1.84%	5,524,252.28	0.29%
December 2008	0.87%	1.04%	5.99%	1.91%	20,975,524.96	1.11%
January 2009	0.82%	1.04%	6.04%	1.85%	16,273,715.71	0.86%
February 2009	1.13%	0.99%	6.23%	2.13%	15,375,035.40	0.81%
March 2009	1.14%	1.02%	6.16%	2.15%	19,446,149.73	1.03%
April 2009	0.86%	1.22%	6.04%	2.08%	13,894,427.69	0.73%

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
May 2009	0.66%	1.34%	5.91%	2.00%	11,779,522.10	0.62%
June 2009	0.63%	1.37%	5.85%	2.00%	14,488,792.10	0.77%
July 2009	0.56%	1.44%	5.81%	2.00%	14,204,779.57	0.75%
August 2009	0.58%	1.42%	5.83%	2.00%	1,952,310.60	0.10%
September 2009	0.56%	1.44%	5.81%	2.00%	7,828,209.14	0.41%
October 2009	0.54%	1.46%	5.79%	2.00%	13,921,746.22	0.74%
November 2009	0.62%	1.45%	5.87%	2.06%	702,500.67	0.04%
December 2009	0.54%	1.47%	5.79%	2.01%	4,842,378.40	0.26%
January 2010	0.53%	1.49%	5.78%	2.02%	1,803,177.74	0.10%
February 2010	0.53%	1.43%	5.78%	1.96%	751,485.86	0.04%
March 2010	0.05%	1.08%	5.08%	1.13%	6,595,497.85	0.35%
April 2010	0.53%	1.44%	5.76%	1.96%	15,140,567.62	0.80%
May 2010	0.55%	1.50%	5.80%	2.05%	3,964,607.41	0.21%
June 2010	0.59%	1.49%	5.81%	2.08%	9,022,949.72	0.48%
July 2010	0.47%	1.60%	5.72%	2.07%	12,607,773.26	0.67%
August 2010	0.43%	1.66%	5.68%	2.08%	2,435,239.87	0.13%
September 2010	0.46%	1.66%	5.71%	2.11%	5,636,415.28	0.30%
October 2010	0.44%	1.61%	5.69%	2.05%	6,871,982.61	0.36%
November 2010	0.41%	1.66%	5.66%	2.07%	2,258,944.98	0.12%
December 2010	0.40%	1.72%	5.65%	2.13%	522,924.76	0.03%
	0.69%	1.23%	5.89%	1.92%	309,771,031.02	16.37%

Fixed reverting to Base Rate Tracker

May 2008	-	-	5.42%	1.77%	1,321,084.87	0.07%
June 2008	-	-	5.73%	2.06%	7,032,072.48	0.37%
July 2008	-	-	6.35%	2.15%	167,456.46	0.01%
August 2008	-	-	5.98%	1.75%	903,583.53	0.05%
September 2008	-	-	5.52%	2.02%	20,267,713.63	1.07%
October 2008	-	-	5.33%	1.88%	14,353,140.63	0.76%
November 2008	-	-	-	-	-	-
December 2008	-	-	5.88%	2.05%	76,294,124.05	4.03%
January 2009	-	-	6.04%	2.10%	84,258.97	0.00%
February 2009	-	-	5.83%	1.99%	25,958,066.51	1.37%
March 2009	-	-	6.17%	2.13%	154,616,971.96	8.17%
April 2009	-	-	6.12%	2.09%	1,398,840.81	0.07%
May 2009	-	-	5.34%	1.86%	1,305,455.14	0.07%
June 2009	-	-	6.41%	2.17%	35,546,353.80	1.88%
July 2009	-	-	6.33%	2.00%	24,605,723.80	1.30%
August 2009	-	-	6.06%	2.00%	19,381,338.50	1.02%
September 2009	-	-	6.03%	2.00%	58,727,956.90	3.10%
October 2009	-	-	6.45%	1.99%	37,512,196.65	1.98%
November 2009	-	-	6.55%	2.25%	638,321.24	0.03%
December 2009	-	-	6.11%	2.08%	8,033,615.55	0.42%
January 2010	-	-	-	-	-	-
February 2010	-	-	6.01%	2.01%	2,996,347.41	0.16%
March 2010	-	-	5.93%	2.01%	14,970,917.41	0.79%
April 2010	-	-	5.49%	1.95%	66,639.72	0.00%
May 2010	-	-	-	-	-	-
June 2010	-	-	6.21%	2.01%	4,592,386.48	0.24%
July 2010	-	-	6.27%	2.03%	13,506,781.04	0.71%
August 2010	-	-	5.81%	2.01%	37,229,463.18	1.97%
September 2010	-	-	5.86%	2.01%	108,118,575.90	5.71%
October 2010	-	-	6.42%	2.00%	5,959,815.35	0.31%
November 2010	-	-	6.41%	2.02%	19,415,191.12	1.03%
December 2010	-	-	6.46%	2.25%	1,542,060.57	0.08%
January 2011	-	-	-	-	-	-
February 2011	-	-	5.09%	1.95%	184,971.34	0.01%
March 2011	-	-	5.09%	1.95%	454,223.81	0.02%
April 2011	-	-	5.25%	1.95%	110,874.77	0.01%
May 2011	-	-	-	-	-	-
June 2011	-	-	-	-	-	-
July 2011	-	-	-	-	-	-
August 2011	-	-	-	-	-	-
September 2011	-	-	-	-	-	-
October 2011	-	-	5.65%	1.95%	54,372.01	0.00%
November 2011	-	-	5.67%	2.05%	397,672.87	0.02%
December 2011	-	-	-	-	-	-
January 2012	-	-	-	-	-	-
February 2012	-	-	5.59%	2.00%	620,001.57	0.03%

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
March 2012	-	-	5.68%	2.07%	3,712,898.27	0.20%
April 2012	-	-	-	-	-	-
May 2012	-	-	-	-	-	-
June 2012	-	-	6.42%	2.13%	400,175.15	0.02%
July 2012	-	-	-	-	-	-
August 2012	-	-	5.87%	2.03%	18,702,982.68	0.99%
September 2012	-	-	-	-	-	-
October 2012	-	-	6.69%	2.25%	148,079.64	0.01%
November 2012	-	-	6.37%	2.07%	1,203,180.29	0.06%
December 2012	-	-	-	-	-	-
	-	-	6.03%	2.04%	722,535,886.06	38.19%

Fixed reverting to LIBOR

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	5.89%	2.23%	3,772,396.07	0.20%
June 2008	-	-	6.29%	2.78%	266,781.52	0.01%
July 2008	-	-	6.32%	2.75%	418,873.06	0.02%
August 2008	-	-	6.50%	2.45%	1,592,336.55	0.08%
September 2008	-	-	6.36%	2.11%	5,023,485.12	0.27%
October 2008	-	-	6.49%	2.21%	12,236,870.28	0.65%
November 2008	-	-	6.39%	2.57%	1,466,299.83	0.08%
December 2008	-	-	6.24%	2.36%	2,240,915.05	0.12%
January 2009	-	-	6.52%	2.51%	2,481,851.84	0.13%
February 2009	-	-	6.50%	2.51%	79,252,958.65	4.19%
March 2009	-	-	6.36%	2.44%	50,841,413.49	2.69%
April 2009	-	-	6.60%	2.71%	13,429,919.42	0.71%
May 2009	-	-	5.88%	1.94%	919,563.85	0.05%
June 2009	-	-	6.94%	2.44%	9,183,581.68	0.49%
July 2009	-	-	7.05%	2.57%	22,471,455.76	1.19%
August 2009	-	-	6.58%	2.48%	36,770,564.26	1.94%
September 2009	-	-	6.57%	2.47%	116,014,501.01	6.13%
October 2009	-	-	6.88%	2.42%	78,543,380.18	4.15%
November 2009	-	-	7.52%	2.88%	1,302,689.06	0.07%
December 2009	-	-	7.69%	3.01%	1,889,370.88	0.10%
January 2010	-	-	7.44%	4.41%	405,038.11	0.02%
February 2010	-	-	6.68%	3.04%	22,851,052.49	1.21%
March 2010	-	-	6.60%	2.88%	44,052,875.22	2.33%
April 2010	-	-	7.48%	4.11%	4,528,685.75	0.24%
May 2010	-	-	-	-	-	-
June 2010	-	-	6.91%	2.56%	15,280,284.95	0.81%
July 2010	-	-	6.79%	2.49%	42,647,818.40	2.25%
August 2010	-	-	6.57%	2.51%	10,779,411.69	0.57%
September 2010	-	-	6.54%	2.47%	47,474,429.65	2.51%
October 2010	-	-	7.00%	2.45%	4,882,340.91	0.26%
November 2010	-	-	6.89%	2.46%	16,610,601.90	0.88%
December 2010	-	-	7.48%	2.66%	546,211.74	0.03%
	-	-	6.65%	2.53%	650,177,958.37	34.36%

LIBOR

	2.47%	-	8.34%	-	12,109,739.33	0.64%
	2.47%	-	8.34%	-	12,109,739.33	0.64%
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	0.16%	2.40%	6.03%	2.55%	4,215,245.57	0.22%
June 2008	1.22%	2.53%	7.09%	3.75%	119,823.55	0.01%
July 2008	-0.04%	2.50%	5.83%	2.46%	1,770,990.79	0.09%
August 2008	-0.07%	2.50%	5.80%	2.42%	2,141,193.80	0.11%
September 2008	0.08%	2.32%	5.94%	2.40%	1,810,090.65	0.10%
October 2008	-0.03%	2.43%	5.83%	2.40%	3,004,197.30	0.16%
November 2008	1.30%	1.00%	7.10%	2.30%	32,240.83	0.00%
December 2008	0.10%	2.26%	5.96%	2.36%	728,005.48	0.04%
January 2009	1.07%	1.21%	6.90%	2.29%	220,331.47	0.01%
February 2009	1.55%	1.10%	7.36%	2.65%	526,406.97	0.03%
March 2009	1.18%	1.16%	6.98%	2.34%	979,960.07	0.05%

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
April 2009	1.53%	1.19%	7.40%	2.72%	3,124,024.79	0.17%
May 2009	1.14%	1.27%	7.01%	2.41%	4,922,477.02	0.26%
June 2009	1.21%	1.43%	7.08%	2.65%	3,926,021.74	0.21%
July 2009	1.15%	1.33%	7.02%	2.48%	4,792,197.30	0.25%
August 2009	1.94%	1.08%	7.81%	3.02%	480,461.81	0.03%
September 2009	1.35%	1.12%	7.22%	2.47%	3,893,963.96	0.21%
October 2009	1.11%	1.20%	6.98%	2.31%	5,656,061.76	0.30%
November 2009	1.04%	1.17%	6.91%	2.22%	481,501.47	0.03%
December 2009	1.25%	1.15%	7.12%	2.40%	1,827,176.17	0.10%
January 2010	1.51%	1.23%	7.38%	2.75%	1,991,774.66	0.11%
February 2010	1.69%	1.26%	7.56%	2.95%	1,804,945.49	0.10%
March 2010	1.47%	1.36%	7.34%	2.83%	1,987,685.88	0.11%
April 2010	1.43%	1.49%	7.30%	2.92%	11,356,589.10	0.60%
May 2010	1.52%	1.72%	7.39%	3.23%	1,879,490.24	0.10%
June 2010	1.22%	1.50%	7.09%	2.72%	4,680,200.38	0.25%
July 2010	1.33%	1.51%	7.20%	2.84%	3,714,227.99	0.20%
August 2010	0.17%	2.08%	6.04%	2.25%	30,440.28	0.00%
September 2010	0.95%	1.49%	6.82%	2.43%	603,816.37	0.03%
October 2010	1.53%	1.83%	7.40%	3.36%	411,315.69	0.02%
November 2010	0.47%	1.78%	6.34%	2.25%	55,953.26	0.00%
December 2010	-	-	-	-	-	-
	1.08%	1.55%	6.95%	2.63%	73,168,811.84	3.87%
<b>Insurance</b>	-	-	-	-	70.29	0.00%
<b>Variable or Collection</b>	-	-	-	-	1,536,242.36	0.08%
<b>Total</b>				<b>2.16%</b>	<b>1,892,185,898.78</b>	<b>100.00%</b>

**Distribution by Margin and Reversion Margin (vs Interest Rate)**

Interest Rate	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
Base Rate Tracker						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	0.59%	-	5.81%	-	19,264,527.44	1.02%
More than 6.0% less than or equal to 6.5%	1.18%	-	6.43%	-	65,798,174.42	3.48%
More than 6.5% less than or equal to 7.0%	1.53%	-	6.76%	-	27,011,277.48	1.43%
More than 7.0% less than or equal to 7.5%	2.02%	-	7.24%	-	10,655,667.05	0.56%
More than 7.5% less than or equal to 8.0%	2.84%	-	7.84%	-	156,513.12	0.01%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	-	-	-	-	122,886,159.51	6.49%

**Base Rate Tracker Discount**

Less than or equal to 5.0%	-0.01%	1.05%	4.99%	1.04%	7,080,581.97	0.37%
More than 5.0% less than or equal to 5.5%	0.25%	1.74%	5.48%	2.00%	11,920,660.22	0.63%
More than 5.5% less than or equal to 6.0%	0.60%	1.30%	5.83%	1.90%	229,344,141.22	12.12%
More than 6.0% less than or equal to 6.5%	0.99%	1.04%	6.16%	2.03%	49,769,833.59	2.63%
More than 6.5% less than or equal to 7.0%	1.74%	0.47%	6.75%	2.22%	7,815,374.69	0.41%
More than 7.0% less than or equal to 7.5%	2.13%	0.09%	7.25%	2.23%	2,377,111.08	0.13%
More than 7.5% less than or equal to 8.0%	2.90%	0.24%	7.90%	3.14%	1,463,328.25	0.08%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	0.69%	1.23%	5.89%	1.92%	309,771,031.02	16.37%

Interest Rate	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
Fixed reverting to Base Rate Tracker						
Less than or equal to 5.0%	-	-	4.83%	1.95%	12,885,467.85	0.68%
More than 5.0% less than or equal to 5.5%	-	-	5.44%	1.99%	90,175,934.92	4.77%
More than 5.5% less than or equal to 6.0%	-	-	5.84%	1.99%	274,932,706.91	14.53%
More than 6.0% less than or equal to 6.5%	-	-	6.23%	2.07%	264,303,209.68	13.97%
More than 6.5% less than or equal to 7.0%	-	-	6.73%	2.12%	63,924,303.35	3.38%
More than 7.0% less than or equal to 7.5%	-	-	7.20%	2.31%	10,630,133.61	0.56%
More than 7.5% less than or equal to 8.0%	-	-	7.76%	2.72%	4,547,270.30	0.24%
More than 8.0% less than or equal to 8.5%	-	-	8.25%	3.22%	718,350.71	0.04%
More than 8.5% less than or equal to 9.0%	-	-	8.70%	3.40%	418,508.73	0.02%
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	-	-	6.03%	2.04%	722,535,886.06	38.19%
Fixed reverting to LIBOR						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	5.44%	1.79%	1,689,327.80	0.09%
More than 5.5% less than or equal to 6.0%	-	-	5.86%	2.10%	67,926,853.52	3.59%
More than 6.0% less than or equal to 6.5%	-	-	6.32%	2.35%	175,884,447.10	9.30%
More than 6.5% less than or equal to 7.0%	-	-	6.72%	2.54%	282,795,032.71	14.95%
More than 7.0% less than or equal to 7.5%	-	-	7.18%	2.70%	88,421,008.65	4.67%
More than 7.5% less than or equal to 8.0%	-	-	7.74%	3.66%	22,157,221.98	1.17%
More than 8.0% less than or equal to 8.5%	-	-	8.22%	4.03%	8,276,144.64	0.44%
More than 8.5% less than or equal to 9.0%	-	-	8.65%	4.57%	2,083,589.39	0.11%
More than 9.0% less than or equal to 9.5%	-	-	9.32%	6.13%	697,072.21	0.04%
More than 9.5% less than or equal to 10.0%	-	-	9.71%	6.52%	247,260.37	0.01%
More than 10.0%	-	-	-	-	-	-
	-	-	6.65%	2.53%	650,177,958.37	34.36%
LIBOR						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	1.51%	-	7.38%	-	1,442,620.04	0.08%
More than 7.5% less than or equal to 8.0%	1.94%	-	7.80%	-	2,553,569.06	0.13%
More than 8.0% less than or equal to 8.5%	2.38%	-	8.23%	-	3,990,170.23	0.21%
More than 8.5% less than or equal to 9.0%	2.82%	-	8.68%	-	1,634,701.64	0.09%
More than 9.0% less than or equal to 9.5%	3.33%	-	9.20%	-	1,682,710.39	0.09%
More than 9.5% less than or equal to 10.0%	3.47%	-	9.63%	-	515,750.00	0.03%
More than 10.0%	4.27%	-	10.12%	-	290,217.97	0.02%
	2.47%	-	8.34%	-	12,109,739.33	0.64%
LIBOR Discount						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-0.41%	2.69%	5.46%	2.28%	3,393,032.83	0.18%
More than 5.5% less than or equal to 6.0%	-0.15%	2.56%	5.72%	2.41%	6,086,099.69	0.32%
More than 6.0% less than or equal to 6.5%	0.34%	2.01%	6.21%	2.35%	7,031,200.54	0.37%
More than 6.5% less than or equal to 7.0%	0.95%	1.38%	6.82%	2.33%	23,032,469.10	1.22%
More than 7.0% less than or equal to 7.5%	1.33%	1.17%	7.20%	2.50%	23,145,621.26	1.22%
More than 7.5% less than or equal to 8.0%	1.86%	1.57%	7.73%	3.44%	2,739,862.28	0.14%
More than 8.0% less than or equal to 8.5%	2.42%	1.57%	8.28%	3.99%	3,095,471.50	0.16%
More than 8.5% less than or equal to 9.0%	2.83%	1.51%	8.70%	4.34%	3,722,229.87	0.20%
More than 9.0% less than or equal to 9.5%	3.15%	1.30%	9.02%	4.45%	922,824.77	0.05%
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	1.08%	1.55%	6.95%	2.63%	73,168,811.84	3.87%

	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
<b>Interest Rate</b>						
Insurance	-	-	-	-	70.29	0.00%
<b>Variable or Collection</b>	-	-	-	-	1,536,242.36	0.08%
<b>Total</b>				2.16%	1,892,185,898. 78	100.00%



**Conforming**

Key data on the Provisional Pool	30-Apr-08
Aggregate Initial Loan Balance (£)	683,718,248
Largest Loan (£)	650,753
Number of Loans	4,368
Number of Loan Parts	4,403
Average balance of Mortgage Loan (£)	155,285
Longest Dated Mortgage Legal Maturity	20-Dec-2037
% Investment Home Loans	0.00%
Weighted Average Current Loan to Value	85.54%
Weighted Average Halifax Indexed Loan To Value	85.78%
Weighted Average Nationwide Indexed Loan To Value	83.99%
Weighted Average Current Loan to Value (London)	86.90%
Weighted Average Current Loan to Value (South East)	86.95%
Weighted Average Current Loan to Value (Rest of UK)	84.27%
Weighted Average Seasoning	1.1128years
Weighted Average Seasoning (London)	1.1895years
Weighted Average Seasoning (South East)	1.1384years
Weighted Average Seasoning (Rest of UK)	1.0731years

Distribution of Loans by Sub-pool				
Distribution by Sub-pool	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
GMAC-RFC	142,919,096	20.90%	977	22.37%
PHL	540,799,152	79.10%	3,391	77.63%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

Distribution of Loans by Loan to Value				
Distribution by Loan to Value	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	1,568,250.08	0.23%	29	0.66%
More than 25% up to and including 50%	16,836,569.67	2.46%	181	4.14%
More than 50% up to and including 55%	9,035,922.09	1.32%	84	1.92%
More than 55% up to and including 60%	9,622,016.27	1.41%	73	1.67%
More than 60% up to and including 65%	11,283,898.85	1.65%	90	2.06%
More than 65% up to and including 70%	20,316,910.17	2.97%	142	3.25%
More than 70% up to and including 75%	26,888,153.45	3.93%	183	4.19%
More than 75% up to and including 80%	32,269,647.11	4.72%	195	4.46%
More than 80% up to and including 85%	57,243,963.81	8.37%	366	8.38%
More than 85% up to and including 90%	132,744,494.10	19.42%	800	18.32%
More than 90% up to and including 95%	270,869,067.76	39.62%	1,552	35.53%
More than 95% up to and including 100%	95,039,354.52	13.90%	673	15.41%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.49%</b>			
<b>Minimum Loan to Value</b>	<b>8.25%</b>			
<b>WA Loan to Value</b>	<b>85.54%</b>			

**Distribution of Loans by Halifax Indexed Loan To Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,397,355	0.20%	27	0.62%
More than 25% up to and including 50%	16,654,703	2.44%	181	4.14%
More than 50% up to and including 55%	9,020,409	1.32%	83	1.90%
More than 55% up to and including 60%	8,357,388	1.22%	64	1.47%
More than 60% up to and including 65%	12,378,729	1.81%	103	2.36%
More than 65% up to and including 70%	16,981,869	2.48%	121	2.77%
More than 70% up to and including 75%	27,430,433	4.01%	193	4.42%
More than 75% up to and including 80%	44,013,512	6.44%	275	6.30%
More than 80% up to and including 85%	79,559,143	11.64%	501	11.47%
More than 85% up to and including 90%	156,163,362	22.84%	964	22.07%
More than 90% up to and including 95%	221,677,926	32.42%	1,262	28.89%
More than 95% up to and including 100%	67,341,505	9.85%	421	9.64%
More than 100%	22,741,912	3.33%	173	3.96%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.27%</b>			
<b>Minimum Loan to Value</b>	<b>7.79%</b>			
<b>WA Loan to Value</b>	<b>85.78%</b>			

**Distribution of Loans by Nationwide Indexed Loan To Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,597,535	0.23%	30	0.69%
More than 25% up to and including 50%	17,863,964	2.61%	193	4.42%
More than 50% up to and including 55%	9,121,916	1.33%	80	1.83%
More than 55% up to and including 60%	9,612,441	1.41%	78	1.79%
More than 60% up to and including 65%	12,947,955	1.89%	105	2.40%
More than 65% up to and including 70%	18,588,525	2.72%	129	2.95%
More than 70% up to and including 75%	33,555,748	4.91%	220	5.04%
More than 75% up to and including 80%	47,752,849	6.98%	304	6.96%
More than 80% up to and including 85%	99,176,690	14.51%	625	14.31%
More than 85% up to and including 90%	197,944,843	28.95%	1,211	27.72%
More than 90% up to and including 95%	202,223,799	29.58%	1,141	26.12%
More than 95% up to and including 100%	32,419,031	4.74%	243	5.56%
More than 100%	912,951	0.13%	9	0.21%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.02%</b>			
<b>Minimum Loan to Value</b>	<b>7.58%</b>			
<b>WA Loan to Value</b>	<b>83.99%</b>			

**Distribution of Loans by Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	-	0.00%	-	0.00%
More than 25% up to and including 50%	2,426,588.27	2.11%	16	2.98%
More than 50% up to and including 55%	1,307,034.47	1.14%	7	1.30%
More than 55% up to and including 60%	1,422,355.01	1.24%	6	1.12%
More than 60% up to and including 65%	1,184,548.59	1.03%	6	1.12%
More than 65% up to and including 70%	1,459,437.10	1.27%	6	1.12%
More than 70% up to and including 75%	3,132,246.39	2.73%	15	2.79%
More than 75% up to and including 80%	5,871,335.17	5.11%	22	4.10%
More than 80% up to and including 85%	8,038,658.45	6.99%	40	7.45%
More than 85% up to and including 90%	19,234,878.12	16.73%	84	15.64%
More than 90% up to and including 95%	53,808,582.97	46.81%	234	43.58%
More than 95% up to and including 100%	17,058,579.70	14.84%	101	18.81%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>114,944,244</b>	<b>100.00%</b>	<b>537</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.11%</b>			
<b>Minimum Loan to Value</b>	<b>25.54%</b>			
<b>WA Loan to Value</b>	<b>86.90%</b>			

**Distribution of Loans by Halifax Indexed Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	-	0.00%	-	0.00%
More than 25% up to and including 50%	2,499,642	2.17%	16	2.98%
More than 50% up to and including 55%	1,246,780	1.08%	7	1.30%
More than 55% up to and including 60%	1,049,396	0.91%	4	0.74%
More than 60% up to and including 65%	1,268,031	1.10%	7	1.30%
More than 65% up to and including 70%	1,129,539	0.98%	5	0.93%
More than 70% up to and including 75%	3,444,515	3.00%	18	3.35%
More than 75% up to and including 80%	8,681,262	7.55%	38	7.08%
More than 80% up to and including 85%	18,123,722	15.77%	86	16.01%
More than 85% up to and including 90%	25,928,777	22.56%	124	23.09%
More than 90% up to and including 95%	40,755,486	35.46%	178	33.15%
More than 95% up to and including 100%	8,063,664	7.02%	38	7.08%
More than 100%	2,753,429	2.40%	16	2.98%
<b>Grand Total</b>	<b>114,944,244</b>	<b>100.00%</b>	<b>537</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>102.76%</b>			
<b>Minimum Loan to Value</b>	<b>26.67%</b>			
<b>WA Loan to Value</b>	<b>86.37%</b>			

**Distribution of Loans by Nationwide Indexed Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	-	0.00%	-	0.00%
More than 25% up to and including 50%	2,646,442	2.30%	17	3.17%
More than 50% up to and including 55%	1,099,980	0.96%	6	1.12%
More than 55% up to and including 60%	1,659,142	1.44%	7	1.30%
More than 60% up to and including 65%	813,522	0.71%	5	0.93%
More than 65% up to and including 70%	1,757,189	1.53%	7	1.30%
More than 70% up to and including 75%	4,450,025	3.87%	21	3.91%
More than 75% up to and including 80%	10,496,047	9.13%	46	8.57%
More than 80% up to and including 85%	18,594,961	16.18%	91	16.95%
More than 85% up to and including 90%	33,798,206	29.40%	162	30.17%
More than 90% up to and including 95%	36,223,266	31.51%	155	28.86%
More than 95% up to and including 100%	3,405,464	2.96%	20	3.72%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>114,944,244</b>	<b>100.00%</b>	<b>537</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>99.93%</b>			
<b>Minimum Loan to Value</b>	<b>26.11%</b>			
<b>WA Loan to Value</b>	<b>84.66%</b>			

**Distribution of Loans by Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	528,191.00	0.25%	8	0.70%
More than 25% up to and including 50%	3,226,757.76	1.53%	29	2.53%
More than 50% up to and including 55%	2,216,408.31	1.05%	18	1.57%
More than 55% up to and including 60%	2,662,613.09	1.26%	13	1.13%
More than 60% up to and including 65%	3,164,265.07	1.50%	21	1.83%
More than 65% up to and including 70%	5,209,084.29	2.47%	29	2.53%
More than 70% up to and including 75%	6,492,195.49	3.08%	34	2.97%
More than 75% up to and including 80%	7,576,397.44	3.59%	39	3.40%
More than 80% up to and including 85%	17,958,757.41	8.52%	91	7.94%
More than 85% up to and including 90%	36,888,596.69	17.49%	187	16.32%
More than 90% up to and including 95%	84,615,811.62	40.12%	429	37.43%
More than 95% up to and including 100%	40,357,177.24	19.14%	248	21.64%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>210,896,255</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.39%</b>			
<b>Minimum Loan to Value</b>	<b>12.51%</b>			
<b>WA Loan to Value</b>	<b>86.95%</b>			



**Distribution of Loans by Halifax Indexed Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	571,039	0.27%	9	0.79%
More than 25% up to and including 50%	3,064,486	1.45%	27	2.36%
More than 50% up to and including 55%	2,086,476	0.99%	16	1.40%
More than 55% up to and including 60%	2,279,606	1.08%	12	1.05%
More than 60% up to and including 65%	2,950,654	1.40%	19	1.66%
More than 65% up to and including 70%	5,028,239	2.38%	27	2.36%
More than 70% up to and including 75%	6,794,777	3.22%	36	3.14%
More than 75% up to and including 80%	10,881,549	5.16%	61	5.32%
More than 80% up to and including 85%	24,344,832	11.54%	136	11.87%
More than 85% up to and including 90%	52,683,862	24.98%	283	24.69%
More than 90% up to and including 95%	66,091,850	31.34%	330	28.80%
More than 95% up to and including 100%	25,766,957	12.22%	138	12.04%
More than 100%	8,351,928	3.96%	52	4.54%
<b>Grand Total</b>	<b>210,896,255</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>102.84%</b>			
<b>Minimum Loan to Value</b>	<b>12.50%</b>			
<b>WA Loan to Value</b>	<b>86.95%</b>			

**Distribution of Loans by Nationwide Indexed Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	571,039	0.27%	9	0.79%
More than 25% up to and including 50%	3,181,127	1.51%	28	2.44%
More than 50% up to and including 55%	2,578,203	1.22%	18	1.57%
More than 55% up to and including 60%	2,147,153	1.02%	14	1.22%
More than 60% up to and including 65%	4,008,408	1.90%	22	1.92%
More than 65% up to and including 70%	4,116,749	1.95%	24	2.09%
More than 70% up to and including 75%	8,919,989	4.23%	46	4.01%
More than 75% up to and including 80%	11,280,983	5.35%	64	5.58%
More than 80% up to and including 85%	33,262,101	15.77%	181	15.79%
More than 85% up to and including 90%	63,002,197	29.87%	340	29.67%
More than 90% up to and including 95%	64,867,143	30.76%	318	27.75%
More than 95% up to and including 100%	12,664,263	6.00%	80	6.98%
More than 100%	296,901	0.14%	2	0.17%
<b>Grand Total</b>	<b>210,896,255</b>	<b>100.00%</b>	<b>1,146</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>100.45%</b>			
<b>Minimum Loan to Value</b>	<b>12.31%</b>			
<b>WA Loan to Value</b>	<b>85.14%</b>			

**Distribution of Loans by Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,040,059	0.29%	21	0.78%
More than 25% up to and including 50%	11,183,224	3.12%	136	5.07%
More than 50% up to and including 55%	5,512,479	1.54%	59	2.20%
More than 55% up to and including 60%	5,537,048	1.55%	54	2.01%
More than 60% up to and including 65%	6,935,085	1.94%	63	2.35%
More than 65% up to and including 70%	13,648,389	3.81%	107	3.99%
More than 70% up to and including 75%	17,263,712	4.82%	134	4.99%
More than 75% up to and including 80%	18,821,915	5.26%	134	4.99%
More than 80% up to and including 85%	31,246,548	8.73%	235	8.75%
More than 85% up to and including 90%	76,621,019	21.41%	529	19.70%
More than 90% up to and including 95%	132,444,673	37.01%	889	33.11%
More than 95% up to and including 100%	37,623,598	10.51%	324	12.07%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>357,877,748</b>	<b>100.00%</b>	<b>2,685</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.49%</b>			
<b>Minimum Loan to Value</b>	<b>8.25%</b>			
<b>WA Loan to Value</b>	<b>84.27%</b>			

**Distribution of Loans by Halifax Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	826,316	0.23%	18	0.67%
More than 25% up to and including 50%	11,090,576	3.10%	138	5.14%
More than 50% up to and including 55%	5,687,153	1.59%	60	2.23%
More than 55% up to and including 60%	5,028,386	1.41%	48	1.79%
More than 60% up to and including 65%	8,160,044	2.28%	77	2.87%
More than 65% up to and including 70%	10,824,091	3.02%	89	3.31%
More than 70% up to and including 75%	17,191,141	4.80%	139	5.18%
More than 75% up to and including 80%	24,450,702	6.83%	176	6.55%
More than 80% up to and including 85%	37,090,589	10.36%	279	10.39%
More than 85% up to and including 90%	77,550,722	21.67%	557	20.74%
More than 90% up to and including 95%	114,830,590	32.09%	754	28.08%
More than 95% up to and including 100%	33,510,884	9.36%	245	9.12%
More than 100%	11,636,555	3.25%	105	3.91%
<b>Grand Total</b>	<b>357,877,748</b>	<b>100.00%</b>	<b>2,685</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.27%</b>			
<b>Minimum Loan to Value</b>	<b>7.79%</b>			
<b>WA Loan to Value</b>	<b>84.90%</b>			

**Distribution of Loans by Nationwide Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,026,496	0.29%	21	0.78%
More than 25% up to and including 50%	12,036,395	3.36%	148	5.51%
More than 50% up to and including 55%	5,443,734	1.52%	56	2.09%
More than 55% up to and including 60%	5,806,147	1.62%	57	2.12%
More than 60% up to and including 65%	8,126,025	2.27%	78	2.91%
More than 65% up to and including 70%	12,714,587	3.55%	98	3.65%
More than 70% up to and including 75%	20,185,734	5.64%	153	5.70%
More than 75% up to and including 80%	25,975,819	7.26%	194	7.23%
More than 80% up to and including 85%	47,319,628	13.22%	353	13.15%
More than 85% up to and including 90%	101,144,440	28.26%	709	26.41%
More than 90% up to and including 95%	101,133,390	28.26%	668	24.88%
More than 95% up to and including 100%	16,349,304	4.57%	143	5.33%
More than 100%	616,050	0.17%	7	0.26%
<b>Grand Total</b>	<b>357,877,748</b>	<b>100.00%</b>	<b>2,685</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.02%</b>			
<b>Minimum Loan to Value</b>	<b>7.58%</b>			
<b>WA Loan to Value</b>	<b>83.10%</b>			

#### Distribution of Loans by Current Balance

<b>Distribution by Current Balance (£)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to £30k	293,103	0.04%	12	0.27%
More than £30k up to and including £50k	2,947,883	0.43%	70	1.60%
More than £50k up to and including £75k	19,504,031	2.85%	302	6.91%
More than £75k up to and including £100k	52,425,158	7.67%	596	13.64%
More than £100k up to and including £125k	80,483,835	11.77%	715	16.37%
More than £125k up to and including £150k	85,874,050	12.56%	626	14.33%
More than £150k up to and including £200k	184,348,038	26.96%	1,071	24.52%
More than £200k up to and including £400k	242,748,782	35.50%	943	21.59%
More than £400k	15,093,368	2.21%	33	0.76%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>
<b>Maximum Current Balance (£)</b>	<b>650,753</b>			
<b>Minimum Current Balance (£)</b>	<b>20,324</b>			
<b>Average Current Balance (£)</b>	<b>156,529</b>			

#### Distribution by Remaining Life of Mortgage

<b>Distribution by Remaining Life of Mortgage (years)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
0 and less than or equal to 10 years	28,272,962	4.14%	181	4.14%
Greater than 10 and less than or equal to 15 years	52,393,456	7.66%	330	7.55%
Greater than 15 and less than or equal to 20 years	117,249,466	17.15%	726	16.62%
Greater than 20 and less than or equal to 25 years	413,832,819	60.53%	2,585	59.18%
Greater than 25 and less than or equal to 30 years	71,969,545	10.53%	546	12.50%
Greater than 30 years	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>
<b>Maximum Remaining Life (years)</b>	<b>29.64</b>			
<b>Minimum Remaining Life (years)</b>	<b>3.77</b>			
<b>WA Remaining Life (years)</b>	<b>21.85</b>			

**Geographical Distribution of Mortgages**

<b>Region</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
East Anglia	15,437,216	2.26%	106	2.43%
East Midlands	40,757,631	5.96%	312	7.14%
Greater London	114,944,244	16.81%	537	12.29%
North	17,806,329	2.60%	150	3.43%
North West	61,939,297	9.06%	501	11.47%
Northern Ireland	14,248,471	2.08%	91	2.08%
Scotland	35,209,680	5.15%	292	6.68%
South East	210,896,255	30.85%	1,146	26.24%
South West	51,638,320	7.55%	314	7.19%
Wales	25,887,896	3.79%	196	4.49%
West Midlands	53,055,865	7.76%	404	9.25%
Yorkshire Humber	41,897,043	6.13%	319	7.30%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

**Distribution of County Court Judgements (CCJ's) by Loan to Value Ratio**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£) 0 CCJ's</b>	<b>Current Balance (£) =1 CCJ</b>	<b>Current Balance (£) &gt;1 CCJ</b>
Less than or equal to 25%	1,568,250	-	-
More than 25% up to and including 50%	16,836,570	-	-
More than 50% up to and including 55%	9,035,922	-	-
More than 55% up to and including 60%	9,622,016	-	-
More than 60% up to and including 65%	11,283,899	-	-
More than 65% up to and including 70%	20,316,910	-	-
More than 70% up to and including 75%	26,817,447	70,707	-
More than 75% up to and including 80%	32,269,647	-	-
More than 80% up to and including 85%	57,033,782	210,182	-
More than 85% up to and including 90%	132,744,494	-	-
More than 90% up to and including 95%	270,617,963	251,105	-
More than 95% up to and including 100%	95,039,355	-	-
More than 100%	-	-	-
<b>Grand Total</b>	<b>683,186,254</b>	<b>531,994</b>	<b>-</b>



Self certified Codes				
Self certified Codes	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
No	244,574,489	35.77%	1,784	40.84%
Yes	439,143,759	64.23%	2,584	59.16%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

Repayment Method				
Repayment Method	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Interest Only	504,602,416	73.80%	2,907	66.55%
Mixed	-	0.00%	-	0.00%
Repayment	179,115,831	26.20%	1,461	33.45%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

Purpose of Loan				
Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	445,128,013	65.10%	2,774	63.51%
Refinance	238,590,235	34.90%	1,594	36.49%
Right to buy Purchase	-	0.00%	-	0.00%
Right to buy Refinance	-	0.00%	-	0.00%
Investment home loans Purchase	-	0.00%	-	0.00%
Investment home loans Refinance	-	0.00%	-	0.00%
Not available (other)	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

Distribution of Mortgages Currently in Arrears				
Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current	647,903,393.32	94.76%	4,148	94.96%
Up to one month	22,000,371.75	3.22%	133	3.04%
Over one month and up to two months	7,449,906.93	1.09%	48	1.10%
Over two months and up to three months	2,607,504.92	0.38%	16	0.37%
Over three months and up to four months	2,786,562.16	0.41%	16	0.37%
Over four months	970,508.80	0.14%	7	0.16%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

### Distribution by Property Category

<b>Distribution by Property Type</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Bungalow	26,271,346	3.84%	156	3.57%
Flat	112,155,379	16.40%	739	16.92%
Detached	123,680,447	18.09%	549	12.57%
Semi-detached	190,568,971	27.87%	1,275	29.19%
Terraced	231,042,105	33.79%	1,649	37.75%
Not available	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

**Distribution by Month of Origin**

<b>Date</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
April 2005	164,775	0.02%	2	0.05%
May 2005	1,321,757	0.19%	10	0.23%
June 2005	1,240,180	0.18%	9	0.21%
July 2005	2,740,963	0.40%	21	0.48%
August 2005	3,916,888	0.57%	27	0.62%
September 2005	2,469,017	0.36%	18	0.41%
October 2005	3,849,242	0.56%	29	0.66%
November 2005	4,743,651	0.69%	33	0.76%
December 2005	6,142,035	0.90%	43	0.98%
January 2006	5,574,120	0.82%	42	0.96%
February 2006	6,726,677	0.98%	50	1.14%
March 2006	7,928,246	1.16%	53	1.21%
April 2006	7,415,333	1.08%	52	1.19%
May 2006	7,172,301	1.05%	55	1.26%
June 2006	9,956,691	1.46%	67	1.53%
July 2006	8,680,167	1.27%	58	1.33%
August 2006	9,511,613	1.39%	67	1.53%
September 2006	10,471,275	1.53%	70	1.60%
October 2006	13,254,166	1.94%	83	1.90%
November 2006	17,026,664	2.49%	118	2.70%
December 2006	17,348,303	2.54%	118	2.70%
January 2007	18,222,223	2.67%	118	2.70%
February 2007	75,082,953	10.98%	513	11.74%
March 2007	91,274,594	13.35%	616	14.10%
April 2007	37,164,946	5.44%	217	4.97%
May 2007	46,074,538	6.74%	266	6.09%
June 2007	51,740,384	7.57%	297	6.80%
July 2007	37,417,799	5.47%	229	5.24%
August 2007	66,432,479	9.72%	396	9.07%
September 2007	51,106,095	7.47%	310	7.10%
October 2007	37,746,659	5.52%	232	5.31%
November 2007	17,705,927	2.59%	112	2.56%
December 2007	5,817,478	0.85%	35	0.80%
January 2008	-	0.00%	-	0.00%
February 2008	64,379	0.01%	1	0.02%
March 2008	213,731	0.03%	1	0.02%
April 2008	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

**Distribution by Tenancy**

<b>Distribution by Tenancy</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Freehold	524,994,745	76.79%	3,269	74.84%
Leasehold	138,133,662	20.20%	927	21.22%
Heritable	20,589,841	3.01%	172	3.94%
<b>Grand Total</b>	<b>683,718,248</b>	<b>100.00%</b>	<b>4,368</b>	<b>100.00%</b>

Prime Residential Loans

Distribution by Margin and Reversion Margin (vs Date of Reversion)

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
Base Rate Tracker	1.38%	-	6.64%	-	77,737,920.37	11.37%
	<b>1.38%</b>	<b>-</b>	<b>6.64%</b>	<b>-</b>	<b>77,737,920.37</b>	<b>11.37%</b>
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	0.71%	0.99%	5.96%	1.70%	17,009,873.82	2.49%
June 2008	0.82%	0.86%	6.05%	1.68%	4,411,156.52	0.65%
July 2008	0.66%	1.07%	5.91%	1.72%	12,770,338.10	1.87%
August 2008	0.62%	1.14%	5.87%	1.76%	11,336,926.05	1.66%
September 2008	0.63%	1.13%	5.86%	1.76%	11,529,088.21	1.69%
October 2008	0.64%	1.09%	5.89%	1.72%	21,674,982.79	3.17%
November 2008	0.70%	1.02%	5.95%	1.72%	4,085,385.80	0.60%
December 2008	0.82%	1.06%	5.96%	1.88%	17,614,078.41	2.58%
January 2009	0.73%	1.07%	5.98%	1.81%	14,162,837.71	2.07%
February 2009	0.72%	1.20%	5.95%	1.92%	6,265,622.27	0.92%
March 2009	0.81%	1.18%	5.87%	1.99%	8,084,414.83	1.18%
April 2009	0.69%	1.29%	5.94%	1.99%	10,001,119.05	1.46%
May 2009	0.64%	1.36%	5.89%	2.00%	10,710,782.08	1.57%
June 2009	0.62%	1.37%	5.84%	2.00%	14,334,372.09	2.10%
July 2009	0.56%	1.44%	5.81%	2.00%	13,370,025.46	1.96%
August 2009	0.56%	1.44%	5.81%	2.00%	1,781,042.70	0.26%
September 2009	0.55%	1.42%	5.80%	1.98%	6,267,862.15	0.92%
October 2009	0.53%	1.46%	5.78%	1.99%	11,789,494.62	1.72%
November 2009	0.54%	1.46%	5.79%	2.00%	530,800.36	0.08%
December 2009	0.51%	1.48%	5.76%	1.99%	3,697,582.35	0.54%
January 2010	0.57%	1.43%	5.82%	2.00%	791,496.45	0.12%
February 2010	0.95%	0.80%	6.20%	1.75%	88,058.68	0.01%
March 2010	0.64%	1.20%	5.89%	1.85%	271,432.92	0.04%
April 2010	0.70%	1.30%	5.95%	2.00%	3,363,924.67	0.49%
May 2010	0.73%	1.27%	5.98%	2.00%	413,644.61	0.06%
June 2010	0.73%	1.27%	5.88%	2.00%	2,517,594.42	0.37%
July 2010	0.55%	1.45%	5.80%	2.00%	2,092,712.64	0.31%
August 2010	0.37%	1.63%	5.62%	2.00%	651,894.24	0.10%
September 2010	0.42%	1.58%	5.67%	2.00%	624,933.10	0.09%
October 2010	0.48%	1.52%	5.73%	2.00%	1,017,552.17	0.15%
November 2010	0.44%	1.56%	5.69%	2.00%	242,868.53	0.04%
December 2010	0.24%	1.76%	5.49%	2.00%	198,909.29	0.03%
	<b>0.66%</b>	<b>1.20%</b>	<b>5.89%</b>	<b>1.87%</b>	<b>213,702,807.09</b>	<b>31.26%</b>

Fixed reverting to Base Rate Tracker

May 2008	-	-	5.40%	1.75%	1,248,865.15	0.18%
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June 2008	-	-	5.36%	1.99%	2,340,048.25	0.34%
July 2008	-	-	-	-	-	-
August 2008	-	-	5.98%	1.75%	903,583.53	0.13%
September 2008	-	-	5.59%	1.94%	5,604,566.80	0.82%
October 2008	-	-	5.94%	1.76%	5,534,607.39	0.81%
November 2008	-	-	-	-	-	-
December 2008	-	-	5.64%	1.99%	37,125,664.28	5.43%
January 2009	-	-	-	-	-	-
February 2009	-	-	6.03%	2.00%	19,794,691.68	2.90%
March 2009	-	-	5.81%	1.99%	62,959,811.26	9.21%
April 2009	-	-	5.87%	1.92%	658,710.00	0.10%
May 2009	-	-	5.40%	1.75%	557,075.82	0.08%
June 2009	-	-	6.31%	1.99%	8,848,935.81	1.29%
July 2009	-	-	6.32%	2.00%	23,744,243.41	3.47%
August 2009	-	-	6.06%	2.00%	18,984,455.74	2.78%
September 2009	-	-	6.06%	2.00%	55,336,132.95	8.09%
October 2009	-	-	6.46%	1.99%	36,533,223.56	5.34%
November 2009	-	-	6.55%	2.25%	638,321.24	0.09%
December 2009	-	-	6.77%	2.25%	2,879,063.82	0.42%
January 2010	-	-	-	-	-	-
February 2010	-	-	6.05%	2.00%	2,503,324.37	0.37%
March 2010	-	-	6.03%	2.00%	7,323,912.66	1.07%
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	6.37%	1.97%	2,317,512.29	0.34%
July 2010	-	-	6.36%	2.00%	7,330,318.22	1.07%
August 2010	-	-	6.01%	2.00%	13,271,594.82	1.94%
September 2010	-	-	6.02%	2.00%	47,083,458.09	6.89%
October 2010	-	-	6.56%	2.00%	3,212,637.43	0.47%
November 2010	-	-	6.54%	2.01%	9,384,432.12	1.37%
December 2010	-	-	6.99%	2.25%	127,458.95	0.02%
January 2011	-	-	-	-	-	-
February 2011	-	-	-	-	-	-
March 2011	-	-	-	-	-	-
April 2011	-	-	-	-	-	-
May 2011	-	-	-	-	-	-
June 2011	-	-	-	-	-	-
July 2011	-	-	-	-	-	-
August 2011	-	-	-	-	-	-
September 2011	-	-	-	-	-	-
October 2011	-	-	-	-	-	-
November 2011	-	-	-	-	-	-
December 2011	-	-	-	-	-	-
January 2012	-	-	-	-	-	-
February 2012	-	-	-	-	-	-
March 2012	-	-	-	-	-	-
April 2012	-	-	-	-	-	-
May 2012	-	-	-	-	-	-
June 2012	-	-	-	-	-	-
July 2012	-	-	-	-	-	-
August 2012	-	-	-	-	-	-
September 2012	-	-	-	-	-	-
October 2012	-	-	-	-	-	-

November 2012	-	-	-	-	-	-
December 2012	-	-	-	-	-	-

-	-	6.04%	1.99%	376,246,649.64	55.03%
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#### Fixed reverting to LIBOR

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	-	-	-	-	-	-
July 2008	-	-	-	-	-	-
August 2008	-	-	-	-	-	-
September 2008	-	-	-	-	-	-
October 2008	-	-	-	-	-	-
November 2008	-	-	5.83%	2.05%	491,806.24	0.07%
December 2008	-	-	5.91%	2.05%	263,250.19	0.04%
January 2009	-	-	5.99%	2.05%	125,520.15	0.02%
February 2009	-	-	5.94%	2.05%	6,239,018.45	0.91%
March 2009	-	-	5.96%	2.05%	7,708,963.09	1.13%
April 2009	-	-	-	-	-	-
May 2009	-	-	-	-	-	-
June 2009	-	-	-	-	-	-
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	-	-	-	-
March 2010	-	-	-	-	-	-
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-
September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-

-	-	5.95%	2.05%	14,828,558.12	2.17%
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#### LIBOR

2.05%	-	7.85%	-	265,090.34	0.04%
2.05%	-	7.85%	-	265,090.34	0.04%

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	-	-	-	-	-	-

July 2008	-	-	-	-	-	-
August 2008	-	-	-	-	-	-
September 2008	-	-	-	-	-	-
October 2008	-	-	-	-	-	-
November 2008	-	-	-	-	-	-
December 2008	-	-	-	-	-	-
January 2009	-	-	-	-	-	-
February 2009	-	-	-	-	-	-
March 2009	-	-	-	-	-	-
April 2009	-	-	-	-	-	-
May 2009	-	-	-	-	-	-
June 2009	-	-	-	-	-	-
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	-	-	-	-
March 2010	-	-	-	-	-	-
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-
September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Insurance</b>	-	-	-	-	70.29	0.00%
<b>Variable or Collection</b>	-	-	-	-	937,152.03	0.14%
<b>Total</b>				<b>1.88%</b>	<b>683,718,247.88</b>	<b>100.00%</b>



# Distribution by Margin and Reversion Margin (vs Interest Rate)

Interest Rate	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
Base Rate Tracker						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	1.23%	-	6.48%	-	51,155,067.76	7.48%
More than 6.5% less than or equal to 7.0%	1.55%	-	6.80%	-	18,772,919.57	2.75%
More than 7.0% less than or equal to 7.5%	1.96%	-	7.26%	-	7,809,933.04	1.14%
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	-	-	-	-	77,737,920.37	11.37%

## Base Rate Tracker Discount

Less than or equal to 5.0%	-0.76%	2.76%	4.49%	2.00%	33,229.53	0.00%
More than 5.0% less than or equal to 5.5%	0.26%	1.74%	5.47%	2.00%	7,403,372.97	1.08%
More than 5.5% less than or equal to 6.0%	0.62%	1.23%	5.85%	1.85%	175,065,923.10	25.60%
More than 6.0% less than or equal to 6.5%	0.92%	1.00%	6.14%	1.93%	29,550,325.63	4.32%
More than 6.5% less than or equal to 7.0%	1.70%	-0.20%	6.95%	1.50%	355,119.29	0.05%
More than 7.0% less than or equal to 7.5%	2.10%	-0.02%	7.33%	2.08%	1,294,836.57	0.19%
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	0.66%	1.20%	5.89%	1.87%	213,702,807.09	31.26%

## Fixed reverting to Base Rate Tracker

Less than or equal to 5.0%	-	-	4.99%	1.99%	484,743.58	0.07%
More than 5.0% less than or equal to 5.5%	-	-	5.44%	1.98%	29,684,071.02	4.34%
More than 5.5% less than or equal to 6.0%	-	-	5.85%	1.98%	164,441,552.30	24.05%
More than 6.0% less than or equal to 6.5%	-	-	6.24%	2.00%	152,733,454.42	22.34%
More than 6.5% less than or equal to 7.0%	-	-	6.70%	2.02%	28,409,825.89	4.16%
More than 7.0% less than or equal to 7.5%	-	-	7.26%	2.25%	493,002.43	0.07%
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-

-	-	6.04%	1.99%	376,246,649.64	55.03%
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#### Fixed reverting to LIBOR

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	5.45%	2.05%	256,217.48	0.04%
More than 5.5% less than or equal to 6.0%	-	-	5.87%	2.05%	9,508,240.18	1.39%
More than 6.0% less than or equal to 6.5%	-	-	6.10%	2.05%	4,986,631.27	0.73%
More than 6.5% less than or equal to 7.0%	-	-	6.54%	2.05%	77,469.19	0.01%
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
-	-	5.95%	2.05%	14,828,558.12	2.17%	-

#### LIBOR

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	2.05%	-	7.85%	-	265,090.34	0.04%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
2.05%	-	7.85%	-	265,090.34	0.04%	-

#### LIBOR Discount

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-

	-	-	-	-	-	-
<b>Insurance</b>	-	-	-	-	70.29	0.00%
<b>Variable or Collection</b>	-	-	-	-	937,152.03	0.14%
<b>Total</b>				<b>1.88%</b>	<b>683,718,247.88</b>	<b>100.00%</b>

**Non Conforming**

Key data on the Provisional Pool	30-Apr-08
Aggregate Initial Loan Balance (£)	873,586,304
Largest Loan (£)	503,345
Number of Loans	6,832
Number of Loan Parts	6,913
Average balance of Mortgage Loan (£)	126,369
Longest Dated Mortgage Legal Maturity	21-Dec-2037
% Investment Home Loans	0.00%
Weighted Average Current Loan to Value	85.50%
Weighted Average Halifax Indexed Loan To Value	87.01%
Weighted Average Nationwide Indexed Loan To Value	85.07%
Weighted Average Current Loan to Value (London)	86.62%
Weighted Average Current Loan to Value (South East)	86.90%
Weighted Average Current Loan to Value (Rest of UK)	84.71%
Weighted Average Seasoning	0.9930 years
Weighted Average Seasoning (London)	0.9578 years
Weighted Average Seasoning (South East)	0.9579 years
Weighted Average Seasoning (Rest of UK)	1.0139 years

**Distributon of Loans by Sub-pool**

<b>Distribution by Sub-pool</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
GMAC-RFC	278,957,916	31.93%	2,329	34.09%
PHL	594,628,388	68.07%	4,503	65.91%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

**Distributon of Loans by Loan to Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	2,457,355.24	0.28%	60	0.88%
More than 25% up to and including 50%	27,503,105.54	3.15%	404	5.91%
More than 50% up to and including 55%	12,704,420.18	1.45%	151	2.21%
More than 55% up to and including 60%	14,093,532.13	1.61%	154	2.25%
More than 60% up to and including 65%	23,088,243.28	2.64%	228	3.34%
More than 65% up to and including 70%	31,015,675.94	3.55%	300	4.39%
More than 70% up to and including 75%	42,638,897.06	4.88%	374	5.47%
More than 75% up to and including 80%	49,882,908.75	5.71%	414	6.06%
More than 80% up to and including 85%	80,412,567.81	9.20%	662	9.69%
More than 85% up to and including 90%	140,821,434.36	16.12%	1,082	15.84%
More than 90% up to and including 95%	171,394,689.59	19.62%	1,154	16.89%
More than 95% up to and including 100%	277,573,474.32	31.77%	1,849	27.06%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>99.23%</b>			
<b>Minimum Loan to Value</b>	<b>8.80%</b>			
<b>WA Loan to Value</b>	<b>85.50%</b>			

**Distributon of Loans by Halifax Indexed Loan To Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	2,484,732	0.28%	60	0.88%
More than 25% up to and including 50%	26,082,720	2.99%	391	5.72%
More than 50% up to and including 55%	12,019,256	1.38%	145	2.12%
More than 55% up to and including 60%	14,126,895	1.62%	152	2.22%
More than 60% up to and including 65%	21,186,198	2.43%	211	3.09%
More than 65% up to and including 70%	31,784,358	3.64%	313	4.58%
More than 70% up to and including 75%	42,073,746	4.82%	374	5.47%
More than 75% up to and including 80%	53,220,047	6.09%	450	6.59%
More than 80% up to and including 85%	77,221,825	8.84%	633	9.27%
More than 85% up to and including 90%	139,894,144	16.01%	1,058	15.49%
More than 90% up to and including 95%	157,627,568	18.04%	1,092	15.98%
More than 95% up to and including 100%	124,092,219	14.20%	847	12.40%
More than 100%	171,772,596	19.66%	1,106	16.19%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.42%</b>			
<b>Minimum Loan to Value</b>	<b>8.79%</b>			
<b>WA Loan to Value</b>	<b>87.01%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	2,614,506	0.30%	63	0.92%
More than 25% up to and including 50%	28,429,529	3.25%	415	6.07%
More than 50% up to and including 55%	13,150,027	1.51%	158	2.31%
More than 55% up to and including 60%	16,064,525	1.84%	163	2.39%
More than 60% up to and including 65%	24,894,944	2.85%	255	3.73%
More than 65% up to and including 70%	33,301,563	3.81%	322	4.71%
More than 70% up to and including 75%	44,615,585	5.11%	391	5.72%
More than 75% up to and including 80%	58,266,055	6.67%	479	7.01%
More than 80% up to and including 85%	101,082,288	11.57%	806	11.80%
More than 85% up to and including 90%	157,313,940	18.01%	1,167	17.08%
More than 90% up to and including 95%	146,328,097	16.75%	996	14.58%
More than 95% up to and including 100%	238,047,506	27.25%	1,542	22.57%
More than 100%	9,477,740	1.08%	75	1.10%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.84%</b>			
<b>Minimum Loan to Value</b>	<b>8.66%</b>			
<b>WA Loan to Value</b>	<b>85.07%</b>			

**Distributon of Loans by Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	224,116.28	0.22%	4	0.80%
More than 25% up to and including 50%	2,579,991.82	2.57%	22	4.39%
More than 50% up to and including 55%	648,536.18	0.64%	5	1.00%
More than 55% up to and including 60%	1,647,067.08	1.64%	8	1.60%
More than 60% up to and including 65%	2,888,444.91	2.87%	19	3.79%
More than 65% up to and including 70%	2,708,346.93	2.69%	17	3.39%
More than 70% up to and including 75%	4,061,953.42	4.04%	22	4.39%
More than 75% up to and including 80%	5,466,479.63	5.44%	29	5.79%
More than 80% up to and including 85%	6,789,938.53	6.75%	34	6.79%
More than 85% up to and including 90%	18,313,945.49	18.21%	92	18.36%
More than 90% up to and including 95%	19,896,184.84	19.79%	90	17.96%
More than 95% up to and including 100%	35,330,190.91	35.14%	159	31.74%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>100,555,196</b>	<b>100.00%</b>	<b>501</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>97.95%</b>			
<b>Minimum Loan to Value</b>	<b>12.17%</b>			
<b>WA Loan to Value</b>	<b>86.62%</b>			



**Distributon of Loans by Halifax Indexed Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	224,116	0.22%	4	0.80%
More than 25% up to and including 50%	2,503,812	2.49%	21	4.19%
More than 50% up to and including 55%	1,153,050	1.15%	9	1.80%
More than 55% up to and including 60%	1,013,134	1.01%	5	1.00%
More than 60% up to and including 65%	2,338,059	2.33%	14	2.79%
More than 65% up to and including 70%	2,898,174	2.88%	19	3.79%
More than 70% up to and including 75%	4,140,034	4.12%	23	4.59%
More than 75% up to and including 80%	5,560,103	5.53%	29	5.79%
More than 80% up to and including 85%	7,980,963	7.94%	41	8.18%
More than 85% up to and including 90%	17,136,737	17.04%	84	16.77%
More than 90% up to and including 95%	17,601,628	17.50%	83	16.57%
More than 95% up to and including 100%	16,438,906	16.35%	76	15.17%
More than 100%	21,566,480	21.45%	93	18.56%
<b>Grand Total</b>	<b>100,555,196</b>	<b>100.00%</b>	<b>501</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>102.99%</b>			
<b>Minimum Loan to Value</b>	<b>12.39%</b>			
<b>WA Loan to Value</b>	<b>88.39%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value  
(London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	224,116	0.22%	4	0.80%
More than 25% up to and including 50%	2,681,793	2.67%	23	4.59%
More than 50% up to and including 55%	975,068	0.97%	7	1.40%
More than 55% up to and including 60%	1,860,395	1.85%	9	1.80%
More than 60% up to and including 65%	2,572,403	2.56%	18	3.59%
More than 65% up to and including 70%	3,196,634	3.18%	19	3.79%
More than 70% up to and including 75%	4,309,998	4.29%	24	4.79%
More than 75% up to and including 80%	6,698,796	6.66%	34	6.79%
More than 80% up to and including 85%	9,206,092	9.16%	48	9.58%
More than 85% up to and including 90%	18,092,590	17.99%	87	17.37%
More than 90% up to and including 95%	18,499,954	18.40%	87	17.37%
More than 95% up to and including 100%	31,239,705	31.07%	136	27.15%
More than 100%	997,652	0.99%	5	1.00%
<b>Grand Total</b>	<b>100,555,196</b>	<b>100.00%</b>	<b>501</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>100.39%</b>			
<b>Minimum Loan to Value</b>	<b>12.09%</b>			
<b>WA Loan to Value</b>	<b>86.38%</b>			

**Distributon of Loans by Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	567,790.84	0.25%	13	0.99%
More than 25% up to and including 50%	5,227,784.57	2.32%	53	4.05%
More than 50% up to and including 55%	2,205,495.81	0.98%	20	1.53%
More than 55% up to and including 60%	2,466,623.49	1.09%	20	1.53%
More than 60% up to and including 65%	5,626,388.83	2.50%	40	3.05%
More than 65% up to and including 70%	8,486,982.38	3.77%	60	4.58%
More than 70% up to and including 75%	8,852,360.50	3.93%	55	4.20%
More than 75% up to and including 80%	12,371,686.85	5.49%	80	6.11%
More than 80% up to and including 85%	19,631,163.04	8.71%	113	8.63%
More than 85% up to and including 90%	32,997,964.49	14.64%	186	14.20%
More than 90% up to and including 95%	43,538,476.80	19.32%	232	17.71%
More than 95% up to and including 100%	83,424,167.35	37.01%	438	33.44%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>225,396,885</b>	<b>100.00%</b>	<b>1,310</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.50%</b>			
<b>Minimum Loan to Value</b>	<b>9.66%</b>			
<b>WA Loan to Value</b>	<b>86.90%</b>			

**Distributon of Loans by Halifax Indexed Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	567,791	0.25%	13	0.99%
More than 25% up to and including 50%	4,791,310	2.13%	49	3.74%
More than 50% up to and including 55%	1,805,476	0.80%	18	1.37%
More than 55% up to and including 60%	3,032,761	1.35%	22	1.68%
More than 60% up to and including 65%	4,868,190	2.16%	36	2.75%
More than 65% up to and including 70%	8,078,911	3.58%	58	4.43%
More than 70% up to and including 75%	8,936,414	3.96%	56	4.27%
More than 75% up to and including 80%	13,084,178	5.80%	87	6.64%
More than 80% up to and including 85%	17,949,571	7.96%	104	7.94%
More than 85% up to and including 90%	31,630,961	14.03%	178	13.59%
More than 90% up to and including 95%	42,650,245	18.92%	224	17.10%
More than 95% up to and including 100%	34,952,015	15.51%	187	14.27%
More than 100%	53,049,061	23.54%	278	21.22%
<b>Grand Total</b>	<b>225,396,885</b>	<b>100.00%</b>	<b>1,310</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.21%</b>			
<b>Minimum Loan to Value</b>	<b>9.65%</b>			
<b>WA Loan to Value</b>	<b>88.70%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value  
(South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	567,791	0.25%	13	0.99%
More than 25% up to and including 50%	5,282,925	2.34%	54	4.12%
More than 50% up to and including 55%	2,341,853	1.04%	21	1.60%
More than 55% up to and including 60%	2,839,840	1.26%	23	1.76%
More than 60% up to and including 65%	6,284,152	2.79%	43	3.28%
More than 65% up to and including 70%	8,272,105	3.67%	62	4.73%
More than 70% up to and including 75%	9,055,880	4.02%	54	4.12%
More than 75% up to and including 80%	14,862,835	6.59%	96	7.33%
More than 80% up to and including 85%	22,469,335	9.97%	126	9.62%
More than 85% up to and including 90%	40,639,286	18.03%	225	17.18%
More than 90% up to and including 95%	36,399,300	16.15%	192	14.66%
More than 95% up to and including 100%	75,212,825	33.37%	394	30.08%
More than 100%	1,168,757	0.52%	7	0.53%
<b>Grand Total</b>	<b>225,396,885</b>	<b>100.00%</b>	<b>1,310</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.55%</b>			
<b>Minimum Loan to Value</b>	<b>9.50%</b>			
<b>WA Loan to Value</b>	<b>86.71%</b>			

**Distributon of Loans by Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,665,448	0.30%	43	0.86%
More than 25% up to and including 50%	19,695,329	3.60%	329	6.55%
More than 50% up to and including 55%	9,850,388	1.80%	126	2.51%
More than 55% up to and including 60%	9,979,842	1.82%	126	2.51%
More than 60% up to and including 65%	14,573,410	2.66%	169	3.37%
More than 65% up to and including 70%	19,820,347	3.62%	223	4.44%
More than 70% up to and including 75%	29,724,583	5.43%	297	5.92%
More than 75% up to and including 80%	32,044,742	5.85%	305	6.07%
More than 80% up to and including 85%	53,991,466	9.86%	515	10.26%
More than 85% up to and including 90%	89,509,524	16.34%	804	16.01%
More than 90% up to and including 95%	107,960,028	19.71%	832	16.57%
More than 95% up to and including 100%	158,819,116	29.00%	1,252	24.94%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>547,634,223</b>	<b>100.00%</b>	<b>5,021</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>99.23%</b>			
<b>Minimum Loan to Value</b>	<b>8.80%</b>			
<b>WA Loan to Value</b>	<b>84.71%</b>			

**Distributon of Loans by Halifax Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,692,825	0.31%	43	0.86%
More than 25% up to and including 50%	18,787,598	3.43%	321	6.39%
More than 50% up to and including 55%	9,060,730	1.65%	118	2.35%
More than 55% up to and including 60%	10,081,000	1.84%	125	2.49%
More than 60% up to and including 65%	13,979,949	2.55%	161	3.21%
More than 65% up to and including 70%	20,807,273	3.80%	236	4.70%
More than 70% up to and including 75%	28,997,298	5.30%	295	5.88%
More than 75% up to and including 80%	34,575,766	6.31%	334	6.65%
More than 80% up to and including 85%	51,291,291	9.37%	488	9.72%
More than 85% up to and including 90%	91,126,445	16.64%	796	15.85%
More than 90% up to and including 95%	97,375,695	17.78%	785	15.63%
More than 95% up to and including 100%	72,701,298	13.28%	584	11.63%
More than 100%	97,157,055	17.74%	735	14.64%
<b>Grand Total</b>	<b>547,634,223</b>	<b>100.00%</b>	<b>5,021</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>103.42%</b>			
<b>Minimum Loan to Value</b>	<b>8.79%</b>			
<b>WA Loan to Value</b>	<b>86.06%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	1,822,599	0.33%	46	0.92%
More than 25% up to and including 50%	20,464,811	3.74%	338	6.73%
More than 50% up to and including 55%	9,833,105	1.80%	130	2.59%
More than 55% up to and including 60%	11,364,289	2.08%	131	2.61%
More than 60% up to and including 65%	16,038,389	2.93%	194	3.86%
More than 65% up to and including 70%	21,832,824	3.99%	241	4.80%
More than 70% up to and including 75%	31,249,708	5.71%	313	6.23%
More than 75% up to and including 80%	36,704,425	6.70%	349	6.95%
More than 80% up to and including 85%	69,406,860	12.67%	632	12.59%
More than 85% up to and including 90%	98,582,064	18.00%	855	17.03%
More than 90% up to and including 95%	91,428,843	16.70%	717	14.28%
More than 95% up to and including 100%	131,594,976	24.03%	1,012	20.16%
More than 100%	7,311,331	1.34%	63	1.25%
<b>Grand Total</b>	<b>547,634,223</b>	<b>100.00%</b>	<b>5,021</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>101.84%</b>			
<b>Minimum Loan to Value</b>	<b>8.66%</b>			
<b>WA Loan to Value</b>	<b>84.15%</b>			



#### Distribution of Loans by Current Balance

<b>Distribution by Current Balance (£)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to £30k	1,417,669	0.16%	54	0.79%
More than £30k up to and including £50k	12,973,719	1.49%	311	4.55%
More than £50k up to and including £75k	63,552,349	7.27%	993	14.53%
More than £75k up to and including £100k	114,532,856	13.11%	1,314	19.23%
More than £100k up to and including £125k	140,623,687	16.10%	1,252	18.33%
More than £125k up to and including £150k	120,786,689	13.83%	883	12.92%
More than £150k up to and including £200k	183,604,014	21.02%	1,073	15.71%
More than £200k up to and including £400k	228,356,050	26.14%	935	13.69%
More than £400k	7,739,272	0.89%	17	0.25%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>
<b>Maximum Current Balance (£)</b>	<b>503,345</b>			
<b>Minimum Current Balance (£)</b>	<b>20,245</b>			
<b>Average Current Balance (£)</b>	<b>127,867</b>			

#### Distribution by Remaining Life of Mortgage

<b>Distribution by Remaining Life of Mortgage (years)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
0 and less than or equal to 10 years	28,306,910	3.24%	237	3.47%
Greater than 10 and less than or equal to 15 years	65,843,743	7.54%	541	7.92%
Greater than 15 and less than or equal to 20 years	151,800,592	17.38%	1,197	17.52%
Greater than 20 and less than or equal to 25 years	493,290,029	56.47%	3,706	54.24%
Greater than 25 and less than or equal to 30 years	134,345,030	15.38%	1,151	16.85%
Greater than 30 years	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>
<b>Maximum Remaining Life (years)</b>	<b>29.64</b>			
<b>Minimum Remaining Life (years)</b>	<b>3.79</b>			
<b>WA Remaining Life (years)</b>	<b>22.32</b>			

### Geographical Distribution of Mortgages

<b>Region</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
East Anglia	23,088,214	2.64%	173	2.53%
East Midlands	56,639,959	6.48%	496	7.26%
Greater London	100,555,196	11.51%	501	7.33%
North	39,471,276	4.52%	405	5.93%
North West	98,000,758	11.22%	913	13.36%
Northern Ireland	16,540,652	1.89%	157	2.30%
Scotland	60,773,344	6.96%	647	9.47%
South East	225,396,885	25.80%	1,310	19.17%
South West	59,529,306	6.81%	417	6.10%
Wales	42,927,881	4.91%	399	5.84%
West Midlands	78,200,839	8.95%	698	10.22%
Yorkshire Humber	72,461,993	8.29%	716	10.48%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

**Distributon of County Court Judgements (CCJ's) by  
Loan to Value Ratio**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£) 0 CCJ's</b>	<b>Current Balance (£) =1 CCJ</b>	<b>Current Balance (£) &gt;1 CCJ</b>
Less than or equal to 25%	1,963,931	444,059	49,365
More than 25% up to and including 50%	22,450,644	4,055,597	996,865
More than 50% up to and including 55%	9,507,264	2,552,597	644,559
More than 55% up to and including 60%	12,721,874	1,031,797	339,861
More than 60% up to and including 65%	18,460,051	3,567,918	1,060,274
More than 65% up to and including 70%	24,976,408	3,806,921	2,232,347
More than 70% up to and including 75%	35,529,798	5,304,344	1,804,755
More than 75% up to and including 80%	39,119,699	7,621,180	3,142,030
More than 80% up to and including 85%	66,647,554	10,439,885	3,325,129
More than 85% up to and including 90%	118,876,143	14,297,491	7,647,801
More than 90% up to and including 95%	152,754,371	14,766,957	3,873,361
More than 95% up to and including 100%	263,457,809	12,292,205	1,823,460
More than 100%	-	-	-
<b>Grand Total</b>	<b>766,465,545</b>	<b>80,180,952</b>	<b>26,939,807</b>

#### Self certified Codes

<b>Self certified Codes</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
No	281,563,955	32.23%	2,583	37.81%
Yes	592,022,350	67.77%	4,249	62.19%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

#### Repayment Method

<b>Repayment Method</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Interest Only	574,619,893	65.78%	3,839	56.19%
Mixed	110,129	0.01%	1	0.01%
Repayment	298,856,282	34.21%	2,992	43.79%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

Purpose of Loan				
Purpose of Loan	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Purchase	486,051,374	55.64%	3,382	49.50%
Refinance	328,259,140	37.58%	2,680	39.23%
Right to buy Purchase	43,315,348	4.96%	566	8.28%
Right to buy Refinance	9,774,276	1.12%	121	1.77%
Investment home loans Purchase	2,485,778	0.28%	30	0.44%
Investment home loans Refinance	3,700,389	0.42%	53	0.78%
Not available (other)	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

Distribution of Mortgages Currently in Arrears				
Distribution by Arrears	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Current	755,006,976.06	86.43%	5,926	86.74%
Up to one month	65,158,417.77	7.46%	508	7.44%
Over one month and up to two months	27,705,763.25	3.17%	220	3.22%
Over two months and up to three months	15,393,829.09	1.76%	106	1.55%
Over three months and up to four months	3,798,962.99	0.43%	30	0.44%
Over four months	6,522,355.04	0.75%	42	0.61%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

### Distribution by Property Category

<b>Distribution by Property Type</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Bungalow	32,848,091	3.76%	224	3.28%
Flat	116,600,096	13.35%	995	14.56%
Detached	110,069,537	12.60%	579	8.47%
Semi-detached	272,325,845	31.17%	2,100	30.74%
Terraced	341,742,735	39.12%	2,934	42.94%
Not available	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

#### Distribution by Month of Origin

<b>Date</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
April 2005	-	0.00%	-	0.00%
May 2005	-	0.00%	-	0.00%
June 2005	-	0.00%	-	0.00%
July 2005	71,779	0.01%	1	0.01%
August 2005	617,079	0.07%	6	0.09%
September 2005	1,021,627	0.12%	12	0.18%
October 2005	971,393	0.11%	10	0.15%
November 2005	2,902,035	0.33%	33	0.48%
December 2005	1,207,671	0.14%	15	0.22%
January 2006	1,041,079	0.12%	12	0.18%
February 2006	1,248,751	0.14%	16	0.23%
March 2006	1,193,718	0.14%	12	0.18%
April 2006	1,189,031	0.14%	13	0.19%
May 2006	2,005,755	0.23%	18	0.26%
June 2006	2,062,501	0.24%	19	0.28%
July 2006	3,380,608	0.39%	31	0.45%
August 2006	6,624,294	0.76%	60	0.88%
September 2006	9,190,845	1.05%	83	1.21%
October 2006	10,054,391	1.15%	86	1.26%
November 2006	13,034,285	1.49%	113	1.65%
December 2006	15,387,496	1.76%	119	1.74%
January 2007	31,765,338	3.64%	234	3.43%
February 2007	102,897,891	11.78%	854	12.50%
March 2007	157,931,171	18.08%	1,314	19.23%
April 2007	105,214,929	12.04%	816	11.94%
May 2007	58,120,896	6.65%	415	6.07%
June 2007	69,853,974	8.00%	504	7.38%
July 2007	65,279,904	7.47%	466	6.82%
August 2007	75,574,204	8.65%	553	8.09%
September 2007	64,422,197	7.37%	489	7.16%
October 2007	43,198,157	4.94%	324	4.74%
November 2007	19,413,327	2.22%	150	2.20%
December 2007	5,750,197	0.66%	46	0.67%
January 2008	63,849	0.01%	1	0.01%
February 2008	518,445	0.06%	3	0.04%
March 2008	377,486	0.04%	4	0.06%
April 2008	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

#### Distribution by Tenancy

<b>Distribution by Tenancy</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Freehold	699,774,520	80.10%	5,355	78.38%
Leasehold	138,681,879	15.88%	1,101	16.12%
Heritable	35,129,905	4.02%	376	5.50%
<b>Grand Total</b>	<b>873,586,304</b>	<b>100.00%</b>	<b>6,832</b>	<b>100.00%</b>

# Residential Non-Conforming Mortgages

## Distribution by Margin and Reversion Margin (vs Date of Reversion)

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
<b>Base Rate Tracker</b>						
	2.09%	-	7.10%	-	4,616,896.84	0.53%
	<b>2.09%</b>	<b>-</b>	<b>7.10%</b>	<b>-</b>	<b>4,616,896.84</b>	<b>0.53%</b>
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	1.60%	0.55%	6.60%	2.15%	196,190.55	0.02%
July 2008	0.99%	1.16%	5.99%	2.15%	70,854.29	0.01%
August 2008	1.40%	0.55%	6.40%	1.95%	120,452.18	0.01%
September 2008	-	-	-	-	-	-
October 2008	1.60%	0.50%	6.60%	2.10%	85,192.79	0.01%
November 2008	1.27%	0.97%	6.27%	2.25%	1,158,332.31	0.13%
December 2008	1.47%	0.80%	6.47%	2.27%	1,188,638.67	0.14%
January 2009	1.44%	0.77%	6.44%	2.21%	1,914,361.88	0.22%
February 2009	1.42%	0.85%	6.42%	2.27%	9,002,016.03	1.03%
March 2009	1.37%	0.90%	6.37%	2.27%	11,275,563.45	1.29%
April 2009	1.32%	1.02%	6.32%	2.34%	3,727,682.86	0.43%
May 2009	-	-	-	-	-	-
June 2009	-	-	-	-	-	-
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	-	-	-	-
March 2010	-	-	-	-	-	-
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-
September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-
	<b>1.39%</b>	<b>0.88%</b>	<b>6.39%</b>	<b>2.27%</b>	<b>28,739,285.01</b>	<b>3.29%</b>



Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
<b>Fixed reverting to Base Rate Tracker</b>						
May 2008	-	-	5.79%	2.15%	72,219.72	0.01%
June 2008	-	-	6.21%	2.17%	2,885,990.86	0.33%
July 2008	-	-	6.35%	2.15%	167,456.46	0.02%
August 2008	-	-	-	-	-	-
September 2008	-	-	6.30%	2.27%	4,193,009.91	0.48%
October 2008	-	-	-	-	-	-
November 2008	-	-	-	-	-	-
December 2008	-	-	6.40%	2.21%	21,937,813.37	2.51%
January 2009	-	-	6.04%	2.10%	84,258.97	0.01%
February 2009	-	-	-	-	-	-
March 2009	-	-	6.47%	2.25%	82,289,355.18	9.42%
April 2009	-	-	6.66%	2.33%	567,510.69	0.06%
May 2009	-	-	-	-	-	-
June 2009	-	-	6.48%	2.24%	25,174,112.57	2.88%
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	-	-	-	-
March 2010	-	-	-	-	-	-
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-
September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-
January 2011	-	-	-	-	-	-
February 2011	-	-	-	-	-	-
March 2011	-	-	-	-	-	-
April 2011	-	-	-	-	-	-
May 2011	-	-	-	-	-	-
June 2011	-	-	-	-	-	-
July 2011	-	-	-	-	-	-
August 2011	-	-	-	-	-	-
September 2011	-	-	-	-	-	-
October 2011	-	-	-	-	-	-
November 2011	-	-	-	-	-	-
December 2011	-	-	-	-	-	-
January 2012	-	-	-	-	-	-
February 2012	-	-	-	-	-	-
March 2012	-	-	-	-	-	-

<b>Date of Reversion</b>	<b>WA Current (Margin)</b>	<b>WA Discount (Margin)</b>	<b>WA Current (Rate)</b>	<b>WA Reversion (Margin)</b>	<b>Current Balance</b>	<b>% of Total Balance</b>
April 2012	-	-	-	-	-	-
May 2012	-	-	-	-	-	-
June 2012	-	-	-	-	-	-
July 2012	-	-	-	-	-	-
August 2012	-	-	-	-	-	-
September 2012	-	-	-	-	-	-
October 2012	-	-	-	-	-	-
November 2012	-	-	-	-	-	-
December 2012	-	-	-	-	-	-
	-	-	6.45%	2.24%	137,371,727.73	15.73%

# **Fixed reverting to LIBOR**

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	5.89%	2.23%	3,772,396.07	0.43%
June 2008	-	-	6.29%	2.78%	266,781.52	0.03%
July 2008	-	-	7.04%	3.55%	196,834.75	0.02%
August 2008	-	-	6.54%	2.47%	1,511,900.79	0.17%
September 2008	-	-	6.37%	2.12%	4,935,219.17	0.56%
October 2008	-	-	6.50%	2.22%	11,986,126.54	1.37%
November 2008	-	-	7.07%	3.15%	686,480.12	0.08%
December 2008	-	-	6.39%	2.50%	1,566,236.44	0.18%
January 2009	-	-	6.59%	2.57%	2,234,911.07	0.26%
February 2009	-	-	6.61%	2.59%	66,708,993.13	7.64%
March 2009	-	-	6.55%	2.61%	35,595,244.55	4.07%
April 2009	-	-	6.62%	2.73%	13,160,885.70	1.51%
May 2009	-	-	5.88%	1.94%	919,563.85	0.11%
June 2009	-	-	6.94%	2.44%	9,183,581.68	1.05%
July 2009	-	-	7.05%	2.57%	22,471,455.76	2.57%
August 2009	-	-	6.58%	2.48%	36,770,564.26	4.21%
September 2009	-	-	6.57%	2.47%	116,014,501.01	13.28%
October 2009	-	-	6.88%	2.42%	78,543,380.18	8.99%
November 2009	-	-	7.52%	2.88%	1,302,689.06	0.15%
December 2009	-	-	7.69%	3.01%	1,889,370.88	0.22%
January 2010	-	-	7.44%	4.41%	405,038.11	0.05%
February 2010	-	-	6.68%	3.04%	22,669,241.76	2.59%
March 2010	-	-	6.61%	2.89%	43,585,430.29	4.99%
April 2010	-	-	7.48%	4.11%	4,528,685.75	0.52%
May 2010	-	-	-	-	-	-
June 2010	-	-	6.91%	2.56%	15,280,284.95	1.75%
July 2010	-	-	6.79%	2.49%	42,647,818.40	4.88%
August 2010	-	-	6.57%	2.51%	10,779,411.69	1.23%
September 2010	-	-	6.54%	2.47%	47,474,429.65	5.43%
October 2010	-	-	7.00%	2.45%	4,882,340.91	0.56%
November 2010	-	-	6.89%	2.46%	16,610,601.90	1.90%
December 2010	-	-	7.48%	2.66%	546,211.74	0.06%
<hr/>						
	-	-	<b>6.68%</b>	<b>2.56%</b>	<b>619,126,611.68</b>	<b>70.87%</b>
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## **LIBOR**

2.48%	-	8.35%	-	11,798,864.81	1.35%
<hr/>					
<b>2.48%</b>	<b>-</b>	<b>8.35%</b>	<b>-</b>	<b>11,798,864.81</b>	<b>1.35%</b>
<hr/>					

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	0.16%	2.40%	6.03%	2.55%	4,215,245.57	0.48%
June 2008	1.22%	2.53%	7.09%	3.75%	119,823.55	0.01%
July 2008	-0.04%	2.50%	5.83%	2.46%	1,770,990.79	0.20%
August 2008	-0.07%	2.50%	5.80%	2.42%	2,141,193.80	0.25%
September 2008	-0.04%	2.49%	5.83%	2.46%	1,572,564.57	0.18%
October 2008	-0.07%	2.48%	5.80%	2.41%	2,891,355.02	0.33%
November 2008	1.30%	1.00%	7.10%	2.30%	32,240.83	0.00%
December 2008	-0.07%	2.50%	5.80%	2.44%	592,127.55	0.07%
January 2009	1.43%	1.23%	7.30%	2.66%	85,514.50	0.01%
February 2009	1.82%	1.06%	7.63%	2.88%	382,385.19	0.04%
March 2009	1.57%	1.11%	7.37%	2.68%	445,182.74	0.05%
April 2009	1.53%	1.19%	7.40%	2.72%	3,124,024.79	0.36%
May 2009	1.14%	1.27%	7.01%	2.41%	4,922,477.02	0.56%
June 2009	1.21%	1.43%	7.08%	2.65%	3,926,021.74	0.45%
July 2009	1.15%	1.33%	7.02%	2.48%	4,792,197.30	0.55%
August 2009	1.94%	1.08%	7.81%	3.02%	480,461.81	0.05%
September 2009	1.35%	1.12%	7.22%	2.47%	3,893,963.96	0.45%
October 2009	1.11%	1.20%	6.98%	2.31%	5,656,061.76	0.65%
November 2009	1.04%	1.17%	6.91%	2.22%	481,501.47	0.06%
December 2009	1.25%	1.15%	7.12%	2.40%	1,827,176.17	0.21%
January 2010	1.51%	1.23%	7.38%	2.75%	1,991,774.66	0.23%
February 2010	1.69%	1.26%	7.56%	2.95%	1,804,945.49	0.21%
March 2010	1.47%	1.36%	7.34%	2.83%	1,987,685.88	0.23%
April 2010	1.43%	1.49%	7.30%	2.92%	1,356,589.10	1.30%
May 2010	1.52%	1.72%	7.39%	3.23%	1,879,490.24	0.22%
June 2010	1.22%	1.50%	7.09%	2.72%	4,680,200.38	0.54%
July 2010	1.33%	1.51%	7.20%	2.84%	3,714,227.99	0.43%
August 2010	0.17%	2.08%	6.04%	2.25%	30,440.28	0.00%
September 2010	0.95%	1.49%	6.82%	2.43%	603,816.37	0.07%
October 2010	1.53%	1.83%	7.40%	3.36%	411,315.69	0.05%
November 2010	0.47%	1.78%	6.34%	2.25%	55,953.26	0.01%
December 2010	-	-	-	-	-	-
	<b>1.08%</b>	<b>1.56%</b>	<b>6.95%</b>	<b>2.64%</b>	<b>71,868,949.47</b>	<b>8.23%</b>

<b>Insurance</b>	-	-	-	-	-	-
<b>Variable or Collection</b>	-	-	-	-	63,968.66	0.01%
<b>Total</b>				<b>2.50%</b>	<b>873,586,304.20</b>	<b>100.00%</b>

**Distribution by Margin and  
Reversion Margin (vs Interest  
Rate)**

<b>Interest Rate</b>	<b>WA Current (Margin)</b>	<b>WA Discount (Margin)</b>	<b>WA Current (Rate)</b>	<b>WA Reversion (Margin)</b>	<b>Current Balance</b>	<b>% of Total Balance</b>
<b>Base Rate Tracker</b>						
Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	1.44%	-	6.44%	-	88,404.54	0.01%
More than 6.5% less than or equal to 7.0%	1.94%	-	6.94%	-	1,686,584.36	0.19%
More than 7.0% less than or equal to 7.5%	2.17%	-	7.17%	-	2,685,394.82	0.31%
More than 7.5% less than or equal to 8.0%	2.84%	-	7.84%	-	156,513.12	0.02%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	-	-	-	-	<b>4,616,896.84</b>	<b>0.53%</b>

# **Base Rate Tracker Discount**

Less than or equal to 5.0%	0.00%	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	0.94%	1.19%	5.94%	2.13%	9,083,294.54	1.04%
More than 6.0% less than or equal to 6.5%	1.21%	1.06%	6.21%	2.27%	9,650,132.31	1.10%
More than 6.5% less than or equal to 7.0%	1.74%	0.51%	6.74%	2.25%	7,460,255.40	0.85%
More than 7.0% less than or equal to 7.5%	2.16%	0.24%	7.16%	2.40%	1,082,274.51	0.12%
More than 7.5% less than or equal to 8.0%	2.90%	0.24%	7.90%	3.14%	1,463,328.25	0.17%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
<hr/>						
	<b>1.39%</b>	<b>0.88%</b>	<b>6.39%</b>	<b>2.27%</b>	<b>28,739,285.01</b>	<b>3.29%</b>
<hr/>						

**Fixed  
reverting to  
Base Rate Tracker**

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	5.89%	2.12%	12,494,740.36	1.43%
More than 6.0% less than or equal to 6.5%	-	-	6.23%	2.21%	80,949,461.69	9.27%
More than 6.5% less than or equal to 7.0%	-	-	6.78%	2.23%	28,106,264.76	3.22%
More than 7.0% less than or equal to 7.5%	-	-	7.20%	2.31%	10,137,131.18	1.16%
More than 7.5% less than or equal to 8.0%	-	-	7.76%	2.72%	4,547,270.30	0.52%
More than 8.0% less than or equal to 8.5%	-	-	8.25%	3.22%	718,350.71	0.08%
More than 8.5% less than or equal to 9.0%	-	-	8.70%	3.40%	418,508.73	0.05%
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	-	-				
	-	-	<b>6.45%</b>	<b>2.24%</b>	<b>137,371,727.73</b>	<b>15.73%</b>



**Fixed  
reverting to  
LIBOR**

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	5.43%	1.63%	1,051,181.47	0.12%
More than 5.5% less than or equal to 6.0%	-	-	5.86%	2.12%	42,839,338.69	4.90%
More than 6.0% less than or equal to 6.5%	-	-	6.33%	2.36%	170,636,230.76	19.53%
More than 6.5% less than or equal to 7.0%	-	-	6.72%	2.54%	282,717,563.52	32.36%
More than 7.0% less than or equal to 7.5%	-	-	7.18%	2.70%	88,421,008.65	10.12%
More than 7.5% less than or equal to 8.0%	-	-	7.74%	3.66%	22,157,221.98	2.54%
More than 8.0% less than or equal to 8.5%	-	-	8.22%	4.03%	8,276,144.64	0.95%
More than 8.5% less than or equal to 9.0%	-	-	8.65%	4.57%	2,083,589.39	0.24%
More than 9.0% less than or equal to 9.5%	-	-	9.32%	6.13%	697,072.21	0.08%
More than 9.5% less than or equal to 10.0%	-	-	9.71%	6.52%	247,260.37	0.03%
More than 10.0%	-	-	-	-	-	-
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	-	-	<b>6.68%</b>	<b>2.56%</b>	<b>619,126,611.68</b>	<b>70.87%</b>
<hr/>						

## LIBOR

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	1.51%	-	7.38%	-	1,442,620.04	0.17%
More than 7.5% less than or equal to 8.0%	1.93%	-	7.79%	-	2,242,694.54	0.26%
More than 8.0% less than or equal to 8.5%	2.38%	-	8.23%	-	3,990,170.23	0.46%
More than 8.5% less than or equal to 9.0%	2.82%	-	8.68%	-	1,634,701.64	0.19%
More than 9.0% less than or equal to 9.5%	3.33%	-	9.20%	-	1,682,710.39	0.19%
More than 9.5% less than or equal to 10.0%	3.47%	-	9.63%	-	515,750.00	0.06%
More than 10.0%	4.27%	-	10.12%	-	290,217.97	0.03%
	<b>2.48%</b>	-	<b>8.35%</b>	-	<b>11,798,864.81</b>	<b>1.35%</b>

# LIBOR Discount

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-0.41%	2.69%	5.46%	2.28%	3,393,032.83	0.39%
More than 5.5% less than or equal to 6.0%	-0.15%	2.56%	5.72%	2.41%	6,086,099.69	0.70%
More than 6.0% less than or equal to 6.5%	0.34%	2.01%	6.21%	2.35%	7,031,200.54	0.80%
More than 6.5% less than or equal to 7.0%	0.96%	1.39%	6.83%	2.35%	21,732,606.73	2.49%
More than 7.0% less than or equal to 7.5%	1.33%	1.17%	7.20%	2.50%	23,145,621.26	2.65%
More than 7.5% less than or equal to 8.0%	1.86%	1.57%	7.73%	3.44%	2,739,862.28	0.31%
More than 8.0% less than or equal to 8.5%	2.42%	1.57%	8.28%	3.99%	3,095,471.50	0.35%
More than 8.5% less than or equal to 9.0%	2.83%	1.51%	8.70%	4.34%	3,722,229.87	0.43%
More than 9.0% less than or equal to 9.5%	3.15%	1.30%	9.02%	4.45%	922,824.77	0.11%
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	<b>1.08%</b>	<b>1.56%</b>	<b>6.95%</b>	<b>2.64%</b>	<b>71,868,949.47</b>	<b>8.23%</b>

# Insurance

	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Variable or Collection</b>	-	-	-	-	-	-
	-	-	-	-	63,968.66	0.01%

# Total

**2.50%** **873,586,304.20** **100.00%**

**Buy to Let**

Key data on the Provisional Pool	30-Apr-08
Aggregate Initial Loan Balance (£)	334,881,347
Largest Loan (£)	724,241
Number of Loans	2,917
Number of Loan Parts	2,923
Average balance of Mortgage Loan (£)	114,568
Longest Dated Mortgage Legal Maturity	20-Nov-2037
% Investment Home Loans	100.00%
Weighted Average Current Loan to Value	79.94%
Weighted Average Halifax Indexed Loan To Value	80.97%
Weighted Average Nationwide Indexed Loan To Value	79.16%
Weighted Average Current Loan to Value (London)	77.83%
Weighted Average Current Loan to Value (South East)	79.14%
Weighted Average Current Loan to Value (Rest of UK)	81.17%
Weighted Average Seasoning	1.0176 years
Weighted Average Seasoning (London)	0.9838 years
Weighted Average Seasoning (South East)	1.0317 years
Weighted Average Seasoning (Rest of UK)	1.0240 years

#### Distribution of Loans by Sub-pool

Distribution by Sub-pool	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
GMAC-RFC	76,711,572	22.91%	625	21.43%
PHL	258,169,775	77.09%	2,292	78.57%
Grand Total	334,881,347	100.00%	2,917	100.00%

#### Distributon of Loans by Loan to Value

Distribution by Loan to Value	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Less than or equal to 25%	760,838.71	0.23%	18	0.62%
More than 25% up to and including 50%	8,529,691.84	2.55%	92	3.15%
More than 50% up to and including 55%	5,903,004.83	1.76%	62	2.13%
More than 55% up to and including 60%	7,689,143.64	2.30%	74	2.54%
More than 60% up to and including 65%	12,777,027.56	3.82%	107	3.67%
More than 65% up to and including 70%	20,660,969.52	6.17%	168	5.76%
More than 70% up to and including 75%	30,371,707.57	9.07%	247	8.47%
More than 75% up to and including 80%	30,738,589.33	9.18%	238	8.16%
More than 80% up to and including 85%	44,314,272.21	13.23%	363	12.44%
More than 85% up to and including 90%	128,791,271.52	38.46%	1,055	36.17%
More than 90% up to and including 95%	44,233,978.87	13.21%	492	16.87%
More than 95% up to and including 100%	110,851.10	0.03%	1	0.03%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>96.39%</b>			
<b>Minimum Loan to Value</b>	<b>7.45%</b>			
<b>WA Loan to Value</b>	<b>79.94%</b>			

# Distributon of Loans by Halifax Indexed Loan To Value

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	695,064	0.21%	18	0.62%
More than 25% up to and including 50%	8,345,220	2.49%	90	3.09%
More than 50% up to and including 55%	4,130,832	1.23%	42	1.44%
More than 55% up to and including 60%	7,412,614	2.21%	75	2.57%
More than 60% up to and including 65%	12,688,578	3.79%	108	3.70%
More than 65% up to and including 70%	16,114,444	4.81%	137	4.70%
More than 70% up to and including 75%	32,492,963	9.70%	250	8.57%
More than 75% up to and including 80%	46,885,789	14.00%	396	13.58%
More than 80% up to and including 85%	40,025,885	11.95%	314	10.76%
More than 85% up to and including 90%	97,409,217	29.09%	787	26.98%
More than 90% up to and including 95%	54,643,891	16.32%	513	17.59%
More than 95% up to and including 100%	14,036,851	4.19%	187	6.41%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.49%</b>			
<b>Minimum Loan to Value</b>	<b>6.42%</b>			
<b>WA Loan to Value</b>	<b>80.97%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	863,632	0.26%	20	0.69%
More than 25% up to and including 50%	8,860,561	2.65%	96	3.29%
More than 50% up to and including 55%	5,187,507	1.55%	52	1.78%
More than 55% up to and including 60%	8,174,434	2.44%	81	2.78%
More than 60% up to and including 65%	13,189,592	3.94%	108	3.70%
More than 65% up to and including 70%	21,687,657	6.48%	174	5.97%
More than 70% up to and including 75%	35,434,359	10.58%	288	9.87%
More than 75% up to and including 80%	46,280,195	13.82%	391	13.40%
More than 80% up to and including 85%	57,967,666	17.31%	448	15.36%
More than 85% up to and including 90%	105,457,088	31.49%	905	31.03%
More than 90% up to and including 95%	31,423,030	9.38%	350	12.00%
More than 95% up to and including 100%	355,627	0.11%	4	0.14%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>95.79%</b>			
<b>Minimum Loan to Value</b>	<b>6.52%</b>			
<b>WA Loan to Value</b>	<b>79.16%</b>			

**Distributon of Loans by Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Balance</b>	<b>Total No of Loans</b>	<b>% of Total Loans</b>
Less than or equal to 25%	287,322.16		4	1.10%
More than 25% up to and including 50%	3,474,348.53		22	6.08%
More than 50% up to and including 55%	876,032.65		7	1.93%
More than 55% up to and including 60%	1,451,207.99		10	2.76%
More than 60% up to and including 65%	3,469,135.83		19	5.25%
More than 65% up to and including 70%	4,364,830.12		23	6.35%
More than 70% up to and including 75%	8,100,544.16		44	12.15%
More than 75% up to and including 80%	6,664,133.28		34	9.39%
More than 80% up to and including 85%	11,011,703.79		53	14.64%
More than 85% up to and including 90%	25,644,052.15		123	33.98%
More than 90% up to and including 95%	4,471,970.62		23	6.35%
More than 95% up to and including 100%	-	0.00%	-	0.00%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>69,815,281</b>	<b>100.00%</b>	<b>362</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>94.62%</b>			
<b>Minimum Loan to Value</b>	<b>20.00%</b>			
<b>WA Loan to Value</b>	<b>77.83%</b>			



**Distributon of Loans by Halifax Indexed Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	221,547	0.32%	4	1.10%
More than 25% up to and including 50%	3,430,249	4.91%	21	5.80%
More than 50% up to and including 55%	553,015	0.79%	5	1.38%
More than 55% up to and including 60%	1,163,758	1.67%	8	2.21%
More than 60% up to and including 65%	3,301,079	4.73%	17	4.70%
More than 65% up to and including 70%	3,286,253	4.71%	20	5.52%
More than 70% up to and including 75%	7,951,256	11.39%	40	11.05%
More than 75% up to and including 80%	12,181,786	17.45%	63	17.40%
More than 80% up to and including 85%	9,226,020	13.21%	44	12.15%
More than 85% up to and including 90%	19,206,436	27.51%	93	25.69%
More than 90% up to and including 95%	8,816,100	12.63%	43	11.88%
More than 95% up to and including 100%	477,782	0.68%	4	1.10%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>69,815,281</b>	<b>100.00%</b>	<b>362</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>95.85%</b>			
<b>Minimum Loan to Value</b>	<b>20.35%</b>			
<b>WA Loan to Value</b>	<b>78.91%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value (London)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	362,337	0.52%	5	1.38%
More than 25% up to and including 50%	3,289,460	4.71%	20	5.52%
More than 50% up to and including 55%	985,907	1.41%	8	2.21%
More than 55% up to and including 60%	1,487,541	2.13%	10	2.76%
More than 60% up to and including 65%	3,665,800	5.25%	18	4.97%
More than 65% up to and including 70%	4,269,576	6.12%	26	7.18%
More than 70% up to and including 75%	8,088,096	11.58%	41	11.33%
More than 75% up to and including 80%	11,679,553	16.73%	59	16.30%
More than 80% up to and including 85%	13,748,738	19.69%	66	18.23%
More than 85% up to and including 90%	18,336,682	26.26%	88	24.31%
More than 90% up to and including 95%	3,901,592	5.59%	21	5.80%
More than 95% up to and including 100%	-	0.00%	-	0.00%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>69,815,281</b>	<b>100.00%</b>	<b>362</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>94.33%</b>			
<b>Minimum Loan to Value</b>	<b>19.86%</b>			
<b>WA Loan to Value</b>	<b>77.16%</b>			

**Distributon of Loans by Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	170,515.13	0.19%	4	0.62%
More than 25% up to and including 50%	1,874,547.29	2.14%	21	3.25%
More than 50% up to and including 55%	1,862,954.59	2.13%	18	2.78%
More than 55% up to and including 60%	1,972,460.97	2.26%	17	2.63%
More than 60% up to and including 65%	3,662,459.45	4.19%	28	4.33%
More than 65% up to and including 70%	7,599,542.80	8.69%	53	8.19%
More than 70% up to and including 75%	8,058,942.98	9.22%	61	9.43%
More than 75% up to and including 80%	10,303,336.26	11.78%	69	10.66%
More than 80% up to and including 85%	10,032,302.93	11.47%	74	11.44%
More than 85% up to and including 90%	34,460,252.52	39.41%	245	37.87%
More than 90% up to and including 95%	7,452,857.51	8.52%	57	8.81%
More than 95% up to and including 100%	-	0.00%	-	0.00%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>87,450,172</b>	<b>100.00%</b>	<b>647</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>94.55%</b>			
<b>Minimum Loan to Value</b>	<b>8.61%</b>			
<b>WA Loan to Value</b>	<b>79.14%</b>			

**Distributon of Loans by Halifax Indexed Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	170,515	0.19%	4	0.62%
More than 25% up to and including 50%	1,839,593	2.10%	20	3.09%
More than 50% up to and including 55%	1,242,698	1.42%	11	1.70%
More than 55% up to and including 60%	1,727,215	1.98%	18	2.78%
More than 60% up to and including 65%	3,036,930	3.47%	23	3.55%
More than 65% up to and including 70%	6,299,298	7.20%	44	6.80%
More than 70% up to and including 75%	9,637,754	11.02%	64	9.89%
More than 75% up to and including 80%	14,430,939	16.50%	109	16.85%
More than 80% up to and including 85%	9,685,151	11.08%	66	10.20%
More than 85% up to and including 90%	25,089,669	28.69%	184	28.44%
More than 90% up to and including 95%	13,072,621	14.95%	94	14.53%
More than 95% up to and including 100%	1,217,791	1.39%	10	1.55%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>87,450,172</b>	<b>100.00%</b>	<b>647</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.40%</b>			
<b>Minimum Loan to Value</b>	<b>9.09%</b>			
<b>WA Loan to Value</b>	<b>79.95%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value (South East)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	170,515	0.19%	4	0.62%
More than 25% up to and including 50%	2,244,082	2.57%	23	3.55%
More than 50% up to and including 55%	1,346,295	1.54%	13	2.01%
More than 55% up to and including 60%	1,847,674	2.11%	18	2.78%
More than 60% up to and including 65%	3,442,434	3.94%	27	4.17%
More than 65% up to and including 70%	8,888,725	10.16%	58	8.96%
More than 70% up to and including 75%	9,939,314	11.37%	69	10.66%
More than 75% up to and including 80%	13,452,347	15.38%	103	15.92%
More than 80% up to and including 85%	13,462,477	15.39%	91	14.06%
More than 85% up to and including 90%	27,267,428	31.18%	204	31.53%
More than 90% up to and including 95%	5,223,412	5.97%	36	5.56%
More than 95% up to and including 100%	165,469	0.19%	1	0.15%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>87,450,172</b>	<b>100.00%</b>	<b>647</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>95.79%</b>			
<b>Minimum Loan to Value</b>	<b>8.84%</b>			
<b>WA Loan to Value</b>	<b>78.18%</b>			

**Distributon of Loans by Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Balance</b>	<b>Total No of Loans</b>	<b>% of Loans</b>	<b>Total No</b>
Less than or equal to 25%	303,001		0.17%	10	0.52%
More than 25% up to and including 50%	3,180,796		1.79%	49	2.57%
More than 50% up to and including 55%	3,164,018		1.78%	37	1.94%
More than 55% up to and including 60%	4,265,475		2.40%	47	2.46%
More than 60% up to and including 65%	5,645,432		3.18%	60	3.14%
More than 65% up to and including 70%	8,696,597		4.90%	92	4.82%
More than 70% up to and including 75%	14,212,220		8.00%	142	7.44%
More than 75% up to and including 80%	13,771,120		7.75%	135	7.08%
More than 80% up to and including 85%	23,270,265		13.10%	236	12.37%
More than 85% up to and including 90%	68,686,967		38.67%	687	36.01%
More than 90% up to and including 95%	32,309,151		18.19%	412	21.59%
More than 95% up to and including 100%	110,851		0.06%	1	0.05%
More than 100%	-		0.00%	-	0.00%
<b>Grand Total</b>	<b>177,615,893</b>		<b>100.00%</b>	<b>1,908</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>96.39%</b>				
<b>Minimum Loan to Value</b>	<b>7.45%</b>				
<b>WA Loan to Value</b>	<b>81.17%</b>				

**Distributon of Loans by Halifax Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	303,001	0.17%	10	0.52%
More than 25% up to and including 50%	3,075,378	1.73%	49	2.57%
More than 50% up to and including 55%	2,335,118	1.31%	26	1.36%
More than 55% up to and including 60%	4,521,641	2.55%	49	2.57%
More than 60% up to and including 65%	6,350,569	3.58%	68	3.56%
More than 65% up to and including 70%	6,528,893	3.68%	73	3.83%
More than 70% up to and including 75%	14,903,953	8.39%	146	7.65%
More than 75% up to and including 80%	20,273,065	11.41%	224	11.74%
More than 80% up to and including 85%	21,114,714	11.89%	204	10.69%
More than 85% up to and including 90%	53,113,113	29.90%	510	26.73%
More than 90% up to and including 95%	32,755,170	18.44%	376	19.71%
More than 95% up to and including 100%	12,341,278	6.95%	173	9.07%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>177,615,893</b>	<b>100.00%</b>	<b>1,908</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>98.49%</b>			
<b>Minimum Loan to Value</b>	<b>6.42%</b>			
<b>WA Loan to Value</b>	<b>82.28%</b>			

**Distributon of Loans by Nationwide Indexed Loan To Value (rest of UK)**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to 25%	330,780	0.19%	11	0.58%
More than 25% up to and including 50%	3,327,019	1.87%	53	2.78%
More than 50% up to and including 55%	2,855,305	1.61%	31	1.62%
More than 55% up to and including 60%	4,839,219	2.72%	53	2.78%
More than 60% up to and including 65%	6,081,357	3.42%	63	3.30%
More than 65% up to and including 70%	8,529,356	4.80%	90	4.72%
More than 70% up to and including 75%	17,406,949	9.80%	178	9.33%
More than 75% up to and including 80%	21,148,294	11.91%	229	12.00%
More than 80% up to and including 85%	30,756,451	17.32%	291	15.25%
More than 85% up to and including 90%	59,852,978	33.70%	613	32.13%
More than 90% up to and including 95%	22,298,026	12.55%	293	15.36%
More than 95% up to and including 100%	190,158	0.11%	3	0.16%
More than 100%	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>177,615,893</b>	<b>100.00%</b>	<b>1,908</b>	<b>100.00%</b>
<b>Maximum Loan to Value</b>	<b>95.78%</b>			
<b>Minimum Loan to Value</b>	<b>6.52%</b>			
<b>WA Loan to Value</b>	<b>80.44%</b>			



#### Distribution of Loans by Current Balance

<b>Distribution by Current Balance (£)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Less than or equal to £30k	328,301	0.10%	13	0.45%
More than £30k up to and including £50k	3,908,834	1.17%	91	3.12%
More than £50k up to and including £75k	37,208,084	11.11%	585	20.05%
More than £75k up to and including £100k	62,941,717	18.80%	724	24.82%
More than £100k up to and including £125k	66,035,480	19.72%	595	20.40%
More than £125k up to and including £150k	45,702,539	13.65%	336	11.52%
More than £150k up to and including £200k	57,565,336	17.19%	337	11.55%
More than £200k up to and including £400k	54,033,003	16.13%	221	7.58%
More than £400k	7,158,055	2.14%	15	0.51%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>
<b>Maximum Current Balance (£)</b>	<b>724,241</b>			
<b>Minimum Current Balance (£)</b>	<b>6,516</b>			
<b>Average Current Balance (£)</b>	<b>114,803</b>			

#### Distribution by Remaining Life of Mortgage

<b>Distribution by Remaining Life of Mortgage (years)</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
0 and less than or equal to 10 years	20,696,535	6.18%	184	6.31%
Greater than 10 and less than or equal to 15 years	36,413,126	10.87%	318	10.90%
Greater than 15 and less than or equal to 20 years	77,027,509	23.00%	673	23.07%
Greater than 20 and less than or equal to 25 years	191,532,147	57.19%	1,649	56.53%
Greater than 25 and less than or equal to 30 years	9,212,029	2.75%	93	3.19%
Greater than 30 years	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>
<b>Maximum Remaining Life (years)</b>	<b>29.56</b>			
<b>Minimum Remaining Life (years)</b>	<b>3.81</b>			
<b>WA Remaining Life (years)</b>	<b>20.74</b>			

### Geographical Distribution of Mortgages

Region	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	10,736,176	3.21%	93	3.19%
East Midlands	15,850,056	4.73%	166	5.69%
Greater London	69,815,281	20.85%	362	12.41%
North	18,752,624	5.60%	237	8.12%
North West	37,932,995	11.33%	413	14.16%
Northern Ireland	-	0.00%	-	0.00%
Scotland	16,295,867	4.87%	196	6.72%
South East	87,450,172	26.11%	647	22.18%
South West	21,932,005	6.55%	183	6.27%
Wales	10,897,296	3.25%	120	4.11%
West Midlands	23,695,747	7.08%	244	8.36%
Yorkshire Humber	21,523,128	6.43%	256	8.78%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

**Distribution of County Court Judgements (CCJ's) by  
Loan to Value Ratio**

<b>Distribution by Loan to Value</b>	<b>Current Balance (£) 0 CCJ's</b>	<b>Current Balance (£) =1 CCJ</b>	<b>Current Balance (£) &gt;1 CCJ</b>
Less than or equal to 25%	760,839	-	-
More than 25% up to and including 50%	8,529,692	-	-
More than 50% up to and including 55%	5,903,005	-	-
More than 55% up to and including 60%	7,689,144	-	-
More than 60% up to and including 65%	12,777,028	-	-
More than 65% up to and including 70%	20,610,383	50,587	-
More than 70% up to and including 75%	30,307,798	63,909	-
More than 75% up to and including 80%	30,738,589	-	-
More than 80% up to and including 85%	44,314,272	-	-
More than 85% up to and including 90%	128,722,689	68,583	-
More than 90% up to and including 95%	44,134,007	99,972	-
More than 95% up to and including 100%	110,851	-	-
More than 100%	-	-	-
<b>Grand Total</b>	<b>334,598,296</b>	<b>283,051</b>	<b>-</b>

### Self certified Codes

<b>Self certified Codes</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
No	306,242,442	91.45%	2,733	93.69%
Yes	28,638,905	8.55%	184	6.31%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

### Repayment Method

<b>Repayment Method</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Interest Only	307,490,481	91.82%	2,620	89.82%
Mixed	90,530	0.03%	1	0.03%
Repayment	27,300,336	8.15%	296	10.15%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

	Purpose of Loan				
Purpose of Loan	Current Balance (£)	% of Balance	Total No of Loans	% of Total Loans	
Purchase	-	0.00%	-	0.00%	
Refinance	-		0.00%	-	0.00%
Right to buy Purchase	-		0.00%	-	0.00%
Right to buy Refinance	-		0.00%	-	0.00%
Investment home loans Purchase	185,361,690		55.35%	1,653	56.67%
Investment home loans Refinance	149,519,657		44.65%	1,264	43.33%
Not available (other)	-		0.00%	-	0.00%
Grand Total	334,881,347	100.00%	2,917		100.00%

Distribution of Mortgages Currently in Arrears					
Distribution by Arrears	Current Balance (£)	% of Balance	Total No of Loans	% of Total No Loans	
Current	327,101,117.70		97.68%	2,856	97.91%
Up to one month	3,664,761.29		1.09%	29	0.99%
Over one month and up to two months	1,390,405.82		0.42%	11	0.38%
Over two months and up to three months	1,473,620.15		0.44%	11	0.38%
Over three months and up to four months	750,011.56		0.22%	7	0.24%
Over four months	501,430.18		0.15%	3	0.10%
Grand Total	334,881,347		100.00%	2,917	100.00%

### Distribution by Property Category

<b>Distribution by Property Type</b>	<b>Current Balance (£)</b>	<b>% of Total Balance</b>	<b>No of Loans</b>	<b>% of Total No Loans</b>
Bungalow	6,384,939	1.91%	52	1.78%
Flat	137,807,981	41.15%	1,127	38.64%
Detached	15,409,272	4.60%	82	2.81%
Semi-detached	41,311,650	12.34%	354	12.14%
Terraced	133,967,505	40.00%	1,302	44.63%
Not available	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

Date	Distribution by Month of Origin			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
April 2005	-	0.00%	-	0.00%
May 2005	-	0.00%	-	0.00%
June 2005	-	0.00%	-	0.00%
July 2005	-	0.00%	-	0.00%
August 2005	452,792	0.14%	6	0.21%
September 2005	882,222	0.26%	8	0.27%
October 2005	1,878,224	0.56%	15	0.51%
November 2005	10,290,492	3.07%	89	3.05%
December 2005	8,628,074	2.58%	73	2.50%
January 2006	1,715,512	0.51%	12	0.41%
February 2006	388,781	0.12%	6	0.21%
March 2006	344,415	0.10%	4	0.14%
April 2006	395,284	0.12%	5	0.17%
May 2006	428,170	0.13%	4	0.14%
June 2006	1,181,999	0.35%	11	0.38%
July 2006	1,166,828	0.35%	10	0.34%
August 2006	2,645,898	0.79%	25	0.86%
September 2006	3,665,682	1.09%	33	1.13%
October 2006	2,930,602	0.88%	25	0.86%
November 2006	2,882,337	0.86%	20	0.69%
December 2006	4,176,892	1.25%	32	1.10%
January 2007	5,068,424	1.51%	44	1.51%
February 2007	32,054,924	9.57%	273	9.36%
March 2007	41,241,246	12.32%	347	11.90%
April 2007	16,946,904	5.06%	152	5.21%
May 2007	24,214,321	7.23%	209	7.16%
June 2007	29,969,300	8.95%	259	8.88%
July 2007	21,377,303	6.38%	195	6.68%
August 2007	52,767,307	15.76%	456	15.63%
September 2007	37,224,907	11.12%	336	11.52%
October 2007	20,230,673	6.04%	185	6.34%
November 2007	7,203,840	2.15%	65	2.23%
December 2007	2,527,995	0.75%	18	0.62%
January 2008	-	0.00%	-	0.00%
February 2008	-	0.00%	-	0.00%
March 2008	-	0.00%	-	0.00%
April 2008	-	0.00%	-	0.00%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

Distribution by Tenancy	Distribution by Tenancy			
	Current Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
Freehold	185,658,001	55.44%	1,672	57.32%
Leasehold	139,043,666	41.52%	1,121	38.43%
Heritable	10,179,680	3.04%	124	4.25%
<b>Grand Total</b>	<b>334,881,347</b>	<b>100.00%</b>	<b>2,917</b>	<b>100.00%</b>

## Buy To Let Mortgages

### Distribution by Margin and Reversion Margin (vs Date of Reversion)

Date of Reversion	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
<b>Base Rate Tracker</b>	0.87%	-	6.10%	-	40,531,342.30	12.10%
	0.87%	-	6.10%	-	40,531,342.30	12.10%
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	1.24%	0.75%	6.24%	1.99%	593,821.39	0.18%
July 2008	-	-	-	-	-	-
August 2008	0.70%	1.25%	5.95%	1.95%	106,935.89	0.03%
September 2008	1.01%	0.96%	6.12%	1.97%	474,348.28	0.14%
October 2008	0.48%	1.47%	5.73%	1.95%	569,958.63	0.17%
November 2008	0.63%	1.32%	5.88%	1.95%	280,534.17	0.08%
December 2008	0.97%	1.00%	6.05%	1.98%	2,172,807.88	0.65%
January 2009	0.74%	1.21%	5.99%	1.95%	196,516.12	0.06%
February 2009	0.74%	1.21%	5.99%	1.95%	107,397.10	0.03%
March 2009	1.09%	0.90%	6.09%	1.99%	86,171.45	0.03%
April 2009	0.74%	1.21%	5.99%	1.95%	165,625.78	0.05%
May 2009	0.91%	1.09%	6.16%	2.00%	1,068,740.02	0.32%
June 2009	0.99%	1.01%	6.24%	2.00%	154,420.01	0.05%
July 2009	0.59%	1.39%	5.84%	1.99%	834,754.11	0.25%
August 2009	0.80%	1.19%	6.05%	1.99%	171,267.90	0.05%
September 2009	0.56%	1.51%	5.81%	2.07%	1,560,346.99	0.47%
October 2009	0.60%	1.44%	5.85%	2.04%	2,132,251.60	0.64%
November 2009	0.85%	1.40%	6.10%	2.25%	171,700.31	0.05%
December 2009	0.64%	1.43%	5.89%	2.07%	1,144,796.05	0.34%
January 2010	0.50%	1.53%	5.75%	2.04%	1,011,681.29	0.30%
February 2010	0.47%	1.52%	5.72%	1.99%	663,427.18	0.20%
March 2010	0.02%	1.07%	5.04%	1.10%	6,324,064.93	1.89%
April 2010	0.48%	1.48%	5.70%	1.95%	11,776,642.95	3.52%
May 2010	0.52%	1.53%	5.77%	2.05%	3,550,962.80	1.06%
June 2010	0.54%	1.57%	5.79%	2.11%	6,505,355.30	1.94%
July 2010	0.46%	1.63%	5.71%	2.08%	10,515,060.62	3.14%
August 2010	0.44%	1.67%	5.69%	2.12%	1,783,345.63	0.53%
September 2010	0.46%	1.67%	5.71%	2.13%	5,011,482.18	1.50%
October 2010	0.44%	1.62%	5.69%	2.06%	5,854,430.44	1.75%
November 2010	0.41%	1.68%	5.66%	2.08%	2,016,076.45	0.60%
December 2010	0.50%	1.70%	5.75%	2.20%	324,015.47	0.10%
	<b>0.48%</b>	<b>1.48%</b>	<b>5.70%</b>	<b>1.96%</b>	<b>67,328,938.92</b>	<b>20.11%</b>



**Fixed  
reverting to  
Base Rate Tracker**

May 2008	-	-	-	-	-	-
June 2008	-	-	5.47%	1.99%	1,806,033.37	0.54%
July 2008	-	-	-	-	-	-
August 2008	-	-	-	-	-	-
September 2008	-	-	5.17%	1.97%	10,470,136.92	3.13%
October 2008	-	-	4.95%	1.96%	8,818,533.24	2.63%
November 2008	-	-	-	-	-	-
December 2008	-	-	5.74%	1.99%	17,230,646.40	5.15%
January 2009	-	-	-	-	-	-
February 2009	-	-	5.19%	1.96%	6,163,374.83	1.84%
March 2009	-	-	5.83%	1.99%	9,367,805.52	2.80%
April 2009	-	-	5.27%	1.95%	172,620.12	0.05%
May 2009	-	-	5.30%	1.95%	748,379.32	0.22%
June 2009	-	-	5.89%	1.98%	1,523,305.42	0.45%
July 2009	-	-	6.69%	2.00%	861,480.39	0.26%
August 2009	-	-	5.99%	2.00%	396,882.76	0.12%
September 2009	-	-	5.67%	1.99%	3,391,823.95	1.01%
October 2009	-	-	5.98%	2.05%	978,973.09	0.29%
November 2009	-	-	-	-	-	-
December 2009	-	-	5.74%	1.99%	5,154,551.73	1.54%
January 2010	-	-	-	-	-	-
February 2010	-	-	5.80%	2.05%	493,023.04	0.15%
March 2010	-	-	5.84%	2.01%	7,647,004.75	2.28%
April 2010	-	-	5.49%	1.95%	66,639.72	0.02%
May 2010	-	-	-	-	-	-
June 2010	-	-	6.04%	2.05%	2,274,874.19	0.68%
July 2010	-	-	6.17%	2.06%	6,176,462.82	1.84%
August 2010	-	-	5.70%	2.02%	23,957,868.36	7.15%
September 2010	-	-	5.73%	2.02%	61,035,117.81	18.23%
October 2010	-	-	6.25%	2.01%	2,747,177.92	0.82%
November 2010	-	-	6.29%	2.02%	10,030,759.00	3.00%
December 2010	-	-	6.41%	2.25%	1,414,601.62	0.42%
January 2011	-	-	-	-	-	-
February 2011	-	-	5.09%	1.95%	184,971.34	0.06%
March 2011	-	-	5.09%	1.95%	454,223.81	0.14%
April 2011	-	-	5.25%	1.95%	110,874.77	0.03%
May 2011	-	-	-	-	-	-
June 2011	-	-	-	-	-	-
July 2011	-	-	-	-	-	-
August 2011	-	-	-	-	-	-
September 2011	-	-	-	-	-	-
October 2011	-	-	5.65%	1.95%	54,372.01	0.02%
November 2011	-	-	5.67%	2.05%	397,672.87	0.12%
December 2011	-	-	-	-	-	-
January 2012	-	-	-	-	-	-

February 2012	-	-	5.59%	2.00%	620,001.57	0.19%
March 2012	-	-	5.68%	2.07%	3,712,898.27	1.11%
April 2012	-	-	-	-	-	-
May 2012	-	-	-	-	-	-
June 2012	-	-	6.42%	2.13%	400,175.15	0.12%
July 2012	-	-	-	-	-	-
August 2012	-	-	5.87%	2.03%	18,702,982.68	5.58%
September 2012	-	-	-	-	-	-
October 2012	-	-	6.69%	2.25%	148,079.64	0.04%
November 2012	-	-	6.37%	2.07%	1,203,180.29	0.36%
December 2012	-	-	-	-	-	-

-	-	5.73%	2.01%	208,917,508.69	62.39%
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**Fixed  
reverting to  
LIBOR**

March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	-	-	-	-	-	-
July 2008	-	-	5.69%	2.05%	222,038.31	0.07%
August 2008	-	-	5.79%	2.05%	80,435.76	0.02%
September 2008	-	-	5.69%	2.05%	88,265.95	0.03%
October 2008	-	-	5.94%	2.05%	250,743.74	0.07%
November 2008	-	-	5.71%	2.05%	288,013.47	0.09%
December 2008	-	-	5.89%	2.05%	411,428.42	0.12%
January 2009	-	-	5.94%	2.05%	121,420.62	0.04%
February 2009	-	-	5.90%	2.05%	6,304,947.07	1.88%
March 2009	-	-	5.84%	2.05%	7,537,205.85	2.25%
April 2009	-	-	5.59%	2.05%	269,033.72	0.08%
May 2009	-	-	-	-	-	-
June 2009	-	-	-	-	-	-
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	5.71%	2.05%	181,810.73	0.05%
March 2010	-	-	5.79%	2.05%	467,444.93	0.14%
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-

September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-
	-	-	5.85%	2.05%	16,222,788.57	4.84%

**LIBOR**

	2.05%	-	7.85%	-	45,784.18	0.01%
	<b>2.05%</b>	<b>-</b>	<b>7.85%</b>	<b>-</b>	<b>45,784.18</b>	<b>0.01%</b>
March 2008	-	-	-	-	-	-
April 2008	-	-	-	-	-	-
May 2008	-	-	-	-	-	-
June 2008	-	-	-	-	-	-
July 2008	-	-	-	-	-	-
August 2008	-	-	-	-	-	-
September 2008	0.85%	1.20%	6.65%	2.05%	237,526.08	0.07%
October 2008	0.85%	1.20%	6.65%	2.05%	112,842.28	0.03%
November 2008	-	-	-	-	-	-
December 2008	0.85%	1.20%	6.65%	2.05%	135,877.93	0.04%
January 2009	0.85%	1.20%	6.65%	2.05%	134,816.97	0.04%
February 2009	0.85%	1.20%	6.65%	2.05%	144,021.78	0.04%
March 2009	0.85%	1.20%	6.65%	2.05%	534,777.33	0.16%
April 2009	-	-	-	-	-	-
May 2009	-	-	-	-	-	-
June 2009	-	-	-	-	-	-
July 2009	-	-	-	-	-	-
August 2009	-	-	-	-	-	-
September 2009	-	-	-	-	-	-
October 2009	-	-	-	-	-	-
November 2009	-	-	-	-	-	-
December 2009	-	-	-	-	-	-
January 2010	-	-	-	-	-	-
February 2010	-	-	-	-	-	-
March 2010	-	-	-	-	-	-
April 2010	-	-	-	-	-	-
May 2010	-	-	-	-	-	-
June 2010	-	-	-	-	-	-
July 2010	-	-	-	-	-	-
August 2010	-	-	-	-	-	-
September 2010	-	-	-	-	-	-
October 2010	-	-	-	-	-	-
November 2010	-	-	-	-	-	-
December 2010	-	-	-	-	-	-
	<b>0.85%</b>	<b>1.20%</b>	<b>6.65%</b>	<b>2.05%</b>	<b>1,299,862.37</b>	<b>0.39%</b>
<b>Insurance</b>	-	-	-	-	-	-
<b>Variable or Collection</b>	-	-	-	-	535,121.67	0.16%
<b>Total</b>				<b>1.86%</b>	<b>334,881,346.70</b>	<b>100.00%</b>

**Distribution by Margin and Reversion Margin (vs Interest Rate)**

	Interest Rate	WA Current (Margin)	WA Discount (Margin)	WA Current (Rate)	WA Reversion (Margin)	Current Balance	% of Total Balance
<b>Base Rate Tracker</b>							
Less than or equal to 5.0%		-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%		-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%		0.59%	-	5.81%	-	19,264,527.44	5.75%
More than 6.0% less than or equal to 6.5%		0.99%	-	6.24%	-	14,554,702.12	4.35%
More than 6.5% less than or equal to 7.0%		1.37%	-	6.62%	-	6,551,773.55	1.96%
More than 7.0% less than or equal to 7.5%		1.97%	-	7.20%	-	160,339.19	0.05%
More than 7.5% less than or equal to 8.0%		-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%		-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%		-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%		-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%		-	-	-	-	-	-
More than 10.0%		-	-	-	-	-	-
		-	-	-	-	<b>40,531,342.30</b>	<b>12.10%</b>

### Base Rate Tracker Discount

Less than or equal to 5.0%	-0.01%	1.04%	4.99%	1.03%	7,047,352.44	2.10%
More than 5.0% less than or equal to 5.5%	0.24%	1.75%	5.49%	1.99%	4,517,287.25	1.35%
More than 5.5% less than or equal to 6.0%	0.47%	1.60%	5.71%	2.07%	45,194,923.58	13.50%
More than 6.0% less than or equal to 6.5%	0.99%	1.11%	6.18%	2.10%	10,569,375.65	3.16%
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-

<b>0.48%</b>	<b>1.48%</b>	<b>5.70%</b>	<b>1.96%</b>	<b>67,328,938.92</b>	<b>20.11%</b>
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### Fixed reverting to Base Rate Tracker

Less than or equal to 5.0%	-	-	4.82%	1.95%	12,400,724.27	3.70%
More than 5.0% less than or equal to 5.5%	-	-	5.43%	1.99%	60,491,863.90	18.06%
More than 5.5% less than or equal to 6.0%	-	-	5.80%	2.00%	97,996,414.25	29.26%
More than 6.0% less than or equal to 6.5%	-	-	6.23%	2.09%	30,620,293.57	9.14%
More than 6.5% less than or equal to 7.0%	-	-	6.69%	2.09%	7,408,212.70	2.21%
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-

<b>-</b>	<b>-</b>	<b>5.73%</b>	<b>2.01%</b>	<b>208,917,508.69</b>	<b>62.39%</b>
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### Fixed reverting to LIBOR

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	5.48%	2.05%	381,928.85	0.11%
More than 5.5% less than or equal to 6.0%	-	-	5.85%	2.05%	15,579,274.65	4.65%
More than 6.0% less than or equal to 6.5%	-	-	6.44%	2.05%	261,585.07	0.08%
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-

More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
	<hr/>					
	-	-	5.85%	2.05%	16,222,788.57	4.84%
	<hr/>					

**LIBOR**

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	-	-	-	-	-	-
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	2.05%	-	7.85%	-	45,784.18	0.01%
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
<hr/>						
	<b>2.05%</b>	<b>-</b>	<b>7.85%</b>	<b>-</b>	<b>45,784.18</b>	<b>0.01%</b>
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**LIBOR Discount**

Less than or equal to 5.0%	-	-	-	-	-	-
More than 5.0% less than or equal to 5.5%	-	-	-	-	-	-
More than 5.5% less than or equal to 6.0%	-	-	-	-	-	-
More than 6.0% less than or equal to 6.5%	-	-	-	-	-	-
More than 6.5% less than or equal to 7.0%	0.85%	1.20%	6.65%	2.05%	1,299,862.37	0.39%
More than 7.0% less than or equal to 7.5%	-	-	-	-	-	-
More than 7.5% less than or equal to 8.0%	-	-	-	-	-	-
More than 8.0% less than or equal to 8.5%	-	-	-	-	-	-
More than 8.5% less than or equal to 9.0%	-	-	-	-	-	-
More than 9.0% less than or equal to 9.5%	-	-	-	-	-	-
More than 9.5% less than or equal to 10.0%	-	-	-	-	-	-
More than 10.0%	-	-	-	-	-	-
<hr/>						
	<b>0.85%</b>	<b>1.20%</b>	<b>6.65%</b>	<b>2.05%</b>	<b>1,299,862.37</b>	<b>0.39%</b>
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**Insurance**

-	-	-	-	-	-
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**Variable or Collection**

-	-	-	-	535,121.67	0.16%
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**Total**

<b>1.86%</b>	<b>334,881,346.70</b>	<b>100.00%</b>
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## THE MORTGAGE POOL (CONTINUED)

### Title to the Mortgage Pool

The Mortgage Pool will consist of:

- (i) mortgages originated by PFL (the **PFL Mortgages**);
- (ii) mortgages originated by PFL and purchased by Meerbrook 3 (the **Meerbrook 3 Mortgages**); and
- (iii) mortgages originated by GMAC-RFC and purchased by MAS5 (the **MAS5 Mortgages**)

In respect of the mortgages originated by PFL referred to in (i) above, pursuant to, and under the terms of the PFL Mortgage Sale Agreement, dated on or about the Closing Date, PFL will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

The beneficial title, together with a right to call for the legal title, to the Meerbrook 3 Mortgages which were originated by PFL, referred to in (ii) above, was originally sold by PFL to Meerbrook 3. Pursuant to the Meerbrook 3 Mortgage Sale Agreement, dated on or about the Closing Date, Meerbrook 3 will transfer the beneficial title to the Meerbrook 3 Mortgages, with a right to call for the legal title thereto, to the Issuer.

The legal and beneficial title to the MAS5 Mortgages which were originated by GMAC-RFC, referred to in (iii) above, was originally sold by GMAC-RFC to MAS5. Pursuant to the MAS5 Mortgage Sale Agreement, dated on or about the Closing Date, MAS5 will transfer the beneficial title to the MAS5 Mortgages, with a right to call for the legal title thereto, to the Issuer.

Pursuant to the PFL Mortgage Sale Agreement, PFL will declare a trust governed by Scots law (the **Scottish Declaration of Trust**) in favour of the Issuer in respect of those Mortgages that are Scottish Mortgages.

In the case of the Mortgages over registered land in England and Wales, or over any land in Scotland or Northern Ireland which will be transferred to the Issuer on the Closing Date, PFL (in relation to the PFL Mortgages and the Meerbrook 3 Mortgages) and MAS5 (in relation to the MAS5 Mortgages) have agreed to remain on the relevant English, Scottish or Northern Irish Land or Sasine register as the legal mortgagee or heritable creditor.

None of the above-mentioned transfers to the Issuer is to be completed by registration at the Land Registry, the Registers of Scotland, or the Land Registry of Northern Ireland and Registry of Deeds, Belfast (the **Registers of Northern Ireland**) (if applicable) or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The Mortgages in the Mortgage Pool and their collateral security are accordingly owned in equity only by the Issuer (or, in the case of the Scottish Mortgages, the Issuer holds the beneficial interests therein under the Scottish Declaration of Trust) pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in PFL (in relation to the PFL Mortgages and the Meerbrook 3 Mortgages) and MAS5 (in relation to the MAS5 Mortgages). PFL and MAS5 have agreed to transfer legal title to the PFL Mortgages, the Meerbrook 3 Mortgages or the MAS5 Mortgages (as applicable) and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Trustee over its interest in the Mortgages, or in the case of the Scottish Mortgages an assignation in security (broadly equivalent to a first fixed charge) of its beneficial interest therein under the Scottish Declaration of Trust.

Save as mentioned below, the Trustee has undertaken not to effect any registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland to protect the sale of the Mortgages to the Issuer or the granting of security over them by the Issuer in favour of the Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments and the Scottish Declaration of Trust in favour of the Issuer and the security in favour of the Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreements and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment, assignation or transfer of the Mortgages in favour of the Issuer and a legal submortgage (or the Scottish equivalent) over such Mortgages and collateral security in favour of the Trustee.

The Issuer and the Trustee have undertaken to take such steps only where, *inter alia*, (i) it is necessary as a result of a change in law, or required by an order of a court of competent jurisdiction or by a competent regulatory authority, (ii) after an Enforcement Notice (as defined in the Conditions) has been served by the Trustee, (iii) the Trustee considers that the security under the Deed of Charge or any material part thereof is in material jeopardy, in the reasonable opinion of the Trustee, and the Trustee decides to take such action to reduce materially such jeopardy, or (iv) PFL or MAS5 (as applicable) calls for perfection of title by serving a notice to that effect on the Issuer and the Trustee. Following such legal assignment, assignation or transfer and sub-charge, the Issuer and the Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by an irrevocable power of attorney given by Meerbrook 3, MAS5 and PFL pursuant to the Mortgage Sale Agreements.

*Warranties and Breach of Warranties in relation to the PFL Mortgages and the Meerbrook 3 Mortgages*

The PFL Mortgage Sale Agreement contains certain warranties given by PFL in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the PFL Mortgage Sale Agreement.

Under the Meerbrook 3 Origination and Sale Agreement, PFL made certain warranties in relation to the Meerbrook 3 Mortgages at the time of transfer of such mortgage loans to Meerbrook 3. The benefit of these warranties will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement on or about the Closing Date.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the PFL Mortgage Sale Agreement or assigned to it under the Meerbrook 3 Mortgage Sale Agreement.

If there is an unremedied material breach of any of the warranties assigned under the Meerbrook 3 Mortgage Sale Agreement or given under the PFL Mortgage Sale Agreement then the Trustee has the discretion to demand that a Relevant Purchaser purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to all sums due or owing thereunder (including accrued interest) as at the date of purchase (after deducting the amount of any interest not then accrued but paid in advance by the relevant mortgagor, which amount will be retained by the Issuer) (the **Put Option**). The obligations of the Relevant Purchasers under the Put Option are guaranteed by Britannia pursuant to the relevant Mortgage Sale Agreement. Performance of such purchase will be in full satisfaction of the liabilities of Britannia or a Relevant Purchaser in respect of the relevant breach. There are no other circumstances in which a Relevant Purchaser would be obliged to purchase the Mortgages. Any non-mandatory purchase of Mortgages by Britannia, PFL or a Britannia Group Company beyond any contractual obligations in the Meerbrook 3 Mortgage Sale Agreement and the PFL Mortgage Sale Agreement would be made at fair market value.

*Warranties relating to the PFL Mortgage Sale Agreement and the Meerbrook 3 Origination and Sale Agreement*

The warranties that will be

- (a) given to the Issuer by PFL pursuant to the PFL Mortgage Sale Agreement; or

- (b) given by PFL to Meerbrook 3 in relation to the Meerbrook 3 Mortgages under the Meerbrook 3 Origination and Sale Agreement and assigned by Meerbrook 3 to the Issuer pursuant to the Meerbrook 3 Mortgage Sale Agreement on or about the Closing Date,

include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the PFL Mortgage Sale Agreement and the Meerbrook 3 Origination and Sale Agreement) and see also "*Insurance Contracts*" below:

- each Mortgage was originated by and made by PFL on its own account;
- as of the relevant cut-off date, the particulars of the Mortgages set out in the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement (as applicable) were complete, true and accurate in respect of the data fields described in the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement (as applicable);
- each Mortgage arose from the ordinary course of PFL's residential secured lending activities in England, Wales, Scotland or Northern Ireland and, in each case, at the time of origination, the PFL Lending Guidelines were satisfied;
- each Mortgage 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;
- all of the Borrowers are individuals;
- no Borrower is an employee or director of PFL;
- the amount outstanding under each Mortgage is a valid debt to PFL from the Borrower and the terms of each Mortgage and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees that may be payable;
- no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- all Regulated Loans comply with all of the legal requirements of, and procedures set out in, the Consumer Credit Act 1974;
- no Mortgage constitutes an extortionate credit bargain for the purposes of section 136 of the Consumer Credit Act 1974 and all secondary legislation made pursuant thereto;
- in relation to any Right to Buy Loan;
  - (a) in the case of English Loans and Northern Irish Loans, PFL is an approved lending institution within the meaning given to that expression in the Housing Act 1985 or the Housing (NI) Order 1983 (as amended by the Housing (NI) Order 1986, the Housing (Northern Ireland) Order 1992 and the Housing (NI) Order 2003);
  - (b) the original advance or Further Advance was made to a person exercising the right to buy;
  - (c) either the original advance (or Further Advance) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's (or, in Northern Ireland, the Northern Ireland Housing Executive) statutory charge or standard security has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of

any losses which could arise by virtue of the local authority's statutory charge or standard security; and

- (d) where the Property comprises an ex-council flat, the minimum property value is £25,000 and the block contains no more than 6 floors;
- there are no outstanding obligations on PFL to make any Further Advances (excluding any Retentions) to any Borrower;
  - in respect of any Mortgage in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan);
  - in respect of any Scottish Loan in respect of which the relevant Borrower has been permitted to enter into a short assured tenancy within the meaning of the Housing (Scotland) Act 1988, notice was given to the relevant tenant in accordance with section 32 of that Act;
  - in relation to any leasehold Property, in any case where PFL has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL has taken such reasonable steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and the Mortgage;
  - no Mortgage is currently repayable in a currency other than Sterling;
  - with the exception of certain allowable fees being added to the aggregate balance of the Mortgage, the original advance being made under each (i) PFL Mortgage was £10,000 or more but less than £1,000,000; and (ii) each Meerbrook 3 Mortgage was £25,001 or more but less than £1,000,000 ;
  - all costs and fees payable by the Borrower in connection with the origination of the Mortgages have been paid;
  - in the case of each Mortgage, PFL caused to be made on its behalf a valuation of the relevant Property by a valuer approved by PFL (being (i) a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers or (ii) Hometrack Data Systems Limited (in its capacity as supplier of the Realtime Valuation System) or any other provider of automated valuation models for properties as would be approved by a Prudent Mortgage Lender; (a **Valuer**) in all material respects in accordance with the PFL Lending Guidelines);
  - PFL 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 Mortgage or Related Security;
  - all of the Properties are residential and located in England, Wales, Scotland or Northern Ireland;
  - prior to making a Mortgage to a Borrower, PFL either:
    - (a)
      - (i) caused its approved solicitors (being: (A) any firm of solicitors authorised to practise law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having at least two partners; (B) any firms of solicitors authorised to practice law by the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland having a sole principal; (C) such other firm as would be approved by a Prudent Mortgage Lender (**Approved Solicitors**)) or its approved conveyancers (being: (1) any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; or (2) such other firm as would be approved by a Prudent Mortgage Lender (**Approved Conveyancers**)) to carry out in relation to the relevant Property all

investigations, searches and other actions and enquiries which a 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, Wales, Scotland or Northern Ireland; and

- (ii) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a **Certificate of Title**) relating to such Property and the results thereof were such as would be acceptable to a Prudent Mortgage Lender in order to proceed with the Mortgage; or
- (b)
  - (i) arranged for PFL's interest in the Property to be insured under a title insurance policy (being a title insurance policy, in the form of London & European All Inclusive Lenders' Title Policy dated January 2007 together with a certificate of title insurance issued by the insurer to the relevant Borrower and the underwriting criteria described as such applicable to a Mortgage, which is subject to each Title Insurance Policy (the **Underwriting Criteria**) and any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Mortgages) (a **Title Insurance Policy**) applicable to such Property and PFL is insured under such policy; and
  - (ii) received a restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such Property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy (a **Restricted Certificate of Title**);
- in relation to each English Mortgage, 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:
  - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (b) 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
  - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- in relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security 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) from any encumbrance which would materially and adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
  - (a) the lease cannot be irritated on the bankruptcy of the tenant;
  - (b) 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
  - (c) a copy of the consent or notice has been or will be placed with the title deeds;
- in relation to each Northern Irish Mortgage, the Borrower has a good and marketable title to the relevant Property (subject to registration or recording of the title at the Registers of Northern Ireland) free (save for the Northern Irish 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 Northern Ireland Housing Executive which has not been postponed) from any encumbrance which would

materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:

- (a) the lease cannot be forfeited on the bankruptcy of the tenant;
  - (b) 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
  - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- all steps necessary to perfect PFL's title to each Mortgage were duly taken or are in the process of being taken with all due diligence and PFL is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
  - no Mortgage is subject to any right of rescission, set-off, lien, counterclaim or defence and there are no outstanding claims by PFL in respect of any material breaches of the terms of any Mortgage;
  - PFL has not waived any of its rights under or in relation to a Mortgage which would materially reduce the value of the Mortgage;
  - the terms of the Loan Agreement relating to each Mortgage are not "unfair terms" within the meaning of The Unfair Terms in Consumer Contracts Regulations 1994 or The Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
  - so far as PFL is aware, in relation to each Mortgage entered into before 31 October 2004, PFL has complied in all material respects with the Council of Mortgage Lenders' Code of Practice;
  - so far as PFL is aware, in respect of each Mortgage entered into before 31 October 2004 and the Office of Fair Trading's November 1997 Guidelines for Non-Status Mortgage Lenders (the **Guidelines**), PFL has received no complaints that it has not complied with the terms of the Guidelines;
  - in relation to each English Mortgage and each Northern Irish Mortgage, every person who, at the date upon which the relevant Mortgage was made, had attained the age of seventeen and who had been notified to PFL 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 and in relation to each Scottish Mortgage, all necessary documentation has been obtained so as to ensure that the relevant Property is not subject to any right of occupancy;
  - each property is insured (from the date of completion of the relevant Mortgage) (i) under the third party building insurance policies, (ii) with a reputable insurance company approved by PFL, (iii) against all risks usually covered by a Prudent Mortgage Lender in England, Wales, Scotland or Northern Ireland, as applicable, 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;
  - save in respect of any new mortgage indemnity insurance policy that PFL may enter into after the date of the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement (as applicable), the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as PFL is aware, the relevant policies are valid and enforceable and PFL has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
  - all premiums payable in respect of the Insurance Policies have been paid and so far as PFL is aware the relevant Insurance Policies are valid and enforceable and PFL has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same. Each Title Insurance Policy has been in full force and effect from the time the relevant Mortgage was originated, the relevant Underwriting Criteria have been complied with and all matters

affecting a Property which PFL is required to disclose to the insurer under the terms of the applicable Title Insurance Policy have been so disclosed.

- save for title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland all the Title Deeds and the mortgage files and computer tapes relating to each of the Mortgages and their Related Security are held by PFL or its agents and the title deeds held at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland are held on the basis that any such title deeds shall be returned to PFL or its solicitors or agents;
- PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Mortgage and its Related Security, subject in each case only to the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement (as applicable), the Borrower's equity of redemption and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL as proprietor or heritable creditor of the relevant Mortgage;
- PFL has not received written notice and is not aware of any litigation or claim which may have a material adverse affect on PFL's title to any Mortgage or Related Security;
- PFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- PFL has at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England, Wales, Scotland and Northern Ireland;
- all formal approvals, consents and other steps necessary to permit a legal transfer and assignment of the Loans and their related Mortgages and the other Related Security to be sold under the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement (as applicable) have been obtained or taken;
- PFL has, since the making of each Mortgage, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Mortgage and its Mortgage and the Related Security and all such accounts, books and records are in the possession of PFL;
- in respect of each Buy to Let Loan:
  - (a) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 or either a tenancy agreement not controlled by the Rent (Northern Ireland) Order 1978 or not a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006 (in relation to any English Loan or Northern Irish Loan) or a short assured tenancy within the meaning of the Housing (Scotland) Act 1988 (in relation to any Scottish Loan) (an **Assured Shorthold Tenancy**) for a fixed term not more than 12 months or, where the Housing Act 1988, or the Housing (Scotland) Act 1988 do not apply to the tenancy, or the tenancy agreement is controlled by the Rent (Northern Ireland) Order 1978 or is a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006, a tenancy agreement on terms no less favourable to PFL as would be the case if the tenancy had been an Assured Shorthold Tenancy (an **Other Tenancy Agreement** and together with the **Assured Shorthold Tenancies**, the **Existing Tenancy Agreements**) and (ii) PFL is not aware of any material breach of such Existing Tenancy Agreements;
  - (b) PFL caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except for a House Plus Loan which is assessed on a Borrower's self certified income) of the relevant Property by a valuer in all material respects in accordance with the PFL Lending Guidelines, except in relation to the "house plus" Buy to Let Loans, for which no assessment of rental income is obtained;
  - (c) if the relevant Property is secured by an English Mortgage or Northern Irish Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the

title at the Land Registry (in the case of an English Mortgage) or subject to registration of the title at the Registers of Northern Ireland (in the case of a Northern Irish Mortgage)) free from any encumbrance (except the English Mortgage or the Northern Irish Mortgage (as applicable), any subsequent ranking mortgage and subject to any Existing Tenancy Agreements 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 or Northern Ireland Housing Executive (as applicable) 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;
- (d) if the relevant Property is secured by a Scottish Mortgage, the Borrower has a valid and marketable heritable or long lease title to the relevant Property (subject to registration or recording of the title at the Registers of Scotland) free (save for the Scottish Mortgage and any subsequent ranking heritable security and subject to any Existing Tenancy Agreements 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) from any encumbrance which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
- (i) the lease cannot be irritated 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;
- (e) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the PFL Mortgage Sale Agreement or the Meerbrook 3 Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland of PFL as proprietor or registered owner or heritable creditor of the relevant Mortgage;
- in respect of any Mortgage entered into after 31 October 2004, PFL 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;
  - PFL is authorised by and had permission from the FSA for conducting any other regulated activities (as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended) carried on by it in respect of each Mortgage;
  - PFL has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Mortgages, in particular the provisions of the FSA Mortgages Conduct of Business Sourcebook as amended from time to time;
  - in respect of the PFL Mortgages only, each officer or employee of PFL in any capacity which involves a controlled function (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the FSA Handbook of Rules and Guidance (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;



- in respect of the PFL Mortgages only, PFL has created and maintained all records in respect of the Mortgages in accordance with the FSA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- to the extent that any of the Mortgages qualify as "distance contracts" (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive) PFL had complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom;
- PFL has not altered the terms of any letter of offer accepted by a Borrower relating to a Mortgage or otherwise changed any of the terms and conditions relating to any Mortgage other than in accordance with the terms and conditions of the letter of offer relating to a Mortgage as accepted by the applicable Borrower;
- each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (the **Mortgagee**) in priority, in the case of a Mortgage which is a first ranking mortgage or Standard Security, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property but subject to, in relation to Right to Buy Loans, any charge or Standard Security in favour of the relevant Local Authority (or in Northern Ireland, the Northern Ireland Housing Executive) where such charge or Standard Security has not been postponed);
- the beneficial interest in each Further Advance is vested in the Issuer pursuant to the PFL Mortgage Sale Agreement or (as the case may be) the Scottish Declaration of Trust;
- prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Administration Agreement were duly undertaken;
- prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the PFL Lending Guidelines (as defined below) in all material respects;
- each Further Advance has been made on the terms of the Standard Documentation of PFL (so far as applicable) without material variation;
- no agreement for any Further Advance is or includes any agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of the Act) or, to the extent that it is so regulated or partly regulated, PFL has complied with the requirements of the Consumer Credit Act 1974. Each agreement for a Further Advance complies with the Unfair Terms in Consumer Contracts Regulations 1994 and Unfair Terms in Consumer Contracts Regulations 1999; and
- no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of PFL.
- subject to, 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 (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, the whole of each Mortgage (including any Further Advance made prior to the relevant completion), including any Retention, is secured by a Mortgage;
- subject to, 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, each English Mortgage constitutes a valid and subsisting first charge and/or has first priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Mortgage subject only to registration of such Mortgage at H.M. Land Registry and there is nothing to prevent such registration being effected with absolute title in due course;

- subject to, in relation to a Right to Buy Loan, any Standard Security which may arise or be granted in favour of the relevant Local Authority which has not been postponed, each Scottish Mortgage constitutes a valid and subsisting first ranking Standard Security and/or has first priority (where a second or subsequent Standard Security exists) over the relevant Property for the whole amount of the relevant Mortgage subject only to registration or recording of such Mortgage in the Registers of Scotland and (in such cases) there is nothing to prevent such registration or recording being effected in due course;
- subject to, in relation to a Right to Buy Loan, any charge or security which may arise or be granted in favour of the Northern Ireland Housing Executive which has not been postponed, each Northern Irish Mortgage constitutes a valid and subsisting first charge and has first priority (where a second or subsequent mortgage exists) over the relevant Property which is registered land or constitutes a valid and subsisting mortgage by way of demise or sub-demise of the relevant Property which is unregistered land for the whole amount of the relevant Mortgage, subject only to registration of such Mortgage at the Registers of Northern Ireland and there is nothing to prevent such registration being effected in due course;
- as far as PFL is aware, there is no claim disputed and outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and PFL is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing.
- so far as PFL is aware, each intermediary that introduced a Regulated Loan to the PFL prior to 31 October 2004, held, at the time that such intermediary submitted the application form for such Mortgage to PFL, a subsisting licence as required by the Consumer Credit Act 1974 to carry on the business of credit brokerage in England and Wales and was registered with the Mortgage Code Compliance Board;
- from and including 31 October 2004:
  - (a) PFL has been, and continues to be, authorised by and hold appropriate permissions from the FSA to conduct all applicable 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; and
  - (b) PFL has complied with the provisions of the FSA Mortgages Conduct of Business Sourcebook where applicable in respect of all Mortgages;
- so far as PFL is aware, each intermediary that introduced a Mortgage to PFL on or after 31 October 2004 was authorised by the FSA;

Neither the Trustee, JPMCB nor the Co-Arrangers have undertaken any additional due diligence in respect of the application of the PFL Lending Guidelines and have relied entirely upon the warranties referred to above which will be made by PFL pursuant to the PFL Mortgage Sale Agreement and assigned to the Issuer by Meerbrook 3 pursuant to the Meerbrook 3 Mortgage Sale Agreement.

### **MAS5 Warranties**

The warranties that will be given to the Issuer by MAS5 (provided that all statements made in respect of (i) GMAC and (ii) the MAS5 Mortgages prior to 8 June 2007 or 29 June 2007 (as applicable) shall be deemed to be made as at 8 June 2007 or 29 June 2007 (as applicable)), being the date MAS5 acquired the MAS5 Mortgages from GMAC, and such statements shall not be made in relation to any matter or thing pertaining to any date after 8 June 2007 or 29 June 2007 (as applicable) in respect of the MAS5 Mortgages including *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the MAS5-GMAC-RFC Mortgage Sale Agreement):

- each Loan was originated by and made by GMAC-RFC on its own account and each Loan and its Related Security have been sold to MAS5 on arm's length terms, all consideration payable under that

agreement has been paid in full and an application for the transfer or assignation of the relevant Mortgage to MAS5 has been delivered to Land Registry;

- each Loan arose from the ordinary course of GMAC-RFC's residential secured lending activities in England and Wales and, in each case, at the time of origination, the Lending Criteria were materially satisfied;
- 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 (other than in cases where GMAC-RFC's prior written consent was obtained);
- all of the Borrowers are individuals;
- no Borrower is or was at any time after the date of his or her Loan an employee or director of MAS5 or GMAC-RFC;
- the amount outstanding under each Loan is a valid debt to MAS5 from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any redemption fees;
- no agreement for any Unregulated Loan is a consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof;
- all Loans comply with all of the legal requirements of, and procedures set out in, the Consumer Credit Act 1974 and all secondary legislation made pursuant thereto;
- no Loan constitutes an extortionate credit bargain for the purpose of section 136 of the Consumer Credit Act 1974;
- there are no outstanding obligations on the Originator to make any Further Advances (excluding any Retentions) to any Borrower;
- in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- in relation to any leasehold Property, in any case where MASS has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, MAS5 has taken such reasonable steps (if any) and in such time as would be taken by a Prudent Mortgage Lender to protect its security and the Loan;
- no Loan is currently repayable in a currency other than Sterling;
- the original advance being made under each Loan was £25,001 or more but less than £1,000,000;
- insofar as MAS5 is aware, all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- not more than six months prior to making an advance, either a valuation of the relevant Property was undertaken on behalf of GMAC-RFC by a Valuer and a valuation report addressed to GMAC-RFC was obtained or an AVM Valuation was carried out and, other than the contents of the valuation report (or AVM Valuation) were such as to be acceptable to an underwriter of GMAC-RFC acting prudently and reasonably;

- MAS5 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;
- all of the Properties are residential and located in England and Wales;
- prior to making a Loan to a Borrower GMAC-RFC either:
  - (a)
    - (i) caused its Approved Solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England and Wales; and
    - (ii) save in relation to a Certificate of Insurance Loan, GMAC-RFC instructed its solicitors and received, not more than six month's prior to making the relevant Advance, a Certificate of Title from such solicitors and a signed copy of that Certificate of Title is with the Mortgage Loan File and the Certificate of Title did not reveal anything as a result of which a Prudent Mortgage Lender would not have proceeded with the relevant Loan on the terms upon which it was made; or
  - (b) procured that GMAC-RFC's interest in the Property was insured under the London & European Title Insurance Policy;
- in relation to each Mortgage, 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 or 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;
- the whole of each Loan including any Retention, is secured by a Mortgage (except 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);
- each Mortgage constitutes a valid and subsisting first charge and/or has First priority (where a second or subsequent mortgage exists) by way of legal mortgage over the relevant Property for the whole amount of the relevant Loan subject only to registration of such Mortgage at the Land Registry and there is nothing to prevent such registration being effected with absolute title in due course (except 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);
- in relation to any Right to Buy Loan, either the Loan (and Further Advance, if applicable) was made for the sole purpose of enabling the recipient thereof to purchase or re-mortgage the relevant Property or, in cases where additional amounts have been advanced to the Borrower and the relevant local authority's statutory charge has not been postponed, there exists legal, valid, binding and enforceable insurance cover in respect of any losses which could arise by virtue of the local authority's statutory charge;.
- no Loan is subject to any right of set-off, lien counterclaim or defence and there are no outstanding claims by MAS5 in respect of any material breaches of the terms of any Loan;
- no Borrower has an balance in arrears under the relevant Loan which is greater than two times the value of the current Monthly payment applicable immediately preceding the Closing Date;
- MAS5 has not waived and, so far as MAS5 is aware, GMAC-RFC has not waived any of its rights under or in relation to a Loan which would materially reduce the value of the Loan;

- the terms of the Loan Agreement relating to each Loan are not "**unfair terms**" within the meaning of The Unfair Terms in Consumer Contracts Regulations 1994 or The Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- in respect of any Mortgage Loan, GMAC-RFC has complied in all material respects with the FSA Handbook;
- neither GMAC-RFC nor MAS5 has received any complaints that it has not complied with the terms of the November 1997 Guidelines for Non-Status Mortgage Lenders published by the Office of Fair Trading and the Office of Fair Trading's February 2000 Guidelines on Interest Variation Terms;
- to the extent that any of the Loans qualify as "**distance contracts**" (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive), GMAC-RFC has complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom;
- each officer or employee of GMAC-RFC or MAS5 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;
- GMAC-RFC has created and MAS5 has maintained all records in respect of the Loans in accordance with the FSA Rules and any other Regulatory Requirements;
- neither GMAC-RFC nor MAS5 has 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;
- in relation to each Mortgage 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 MAS5 or GMAC-RFC 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 (except in relation to any Buy to Let Loans);
- each Property is insured (from the date of completion of the relevant Loan):
  - (a) under a Third Party Buildings Policies;
  - (b) with a reputable insurance company approved or not objected to by MAS5 or GMAC-RFC; and
  - (c) against all risks usually covered by a Prudent Mortgage Lender in England and Wales as applicable, advancing money on the security of residential property;
- the Insurance Policies are in full force and effect and, all premiums payable thereon have been paid and, so far as MAS5 is aware, the relevant Insurance Policies are valid and enforceable and MAS5 has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- as far as MAS5 is aware, there is no claim disputed and outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and MAS5 is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;

save for Title Deeds held at Land Registry or in relation to a Certificate of Insurance Loan to the Title Deeds held or being dealt with by Approved Solicitors acting on behalf of GMAC-RFC, all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by (i) MAS5 or its agents or (ii) GMAC-RFC's agents or solicitors to the order of MAS5 and the Title Deeds held

at the Land Registry are held on the basis that any such Title Deeds shall be returned to MAS5 or its solicitors or agents;

- MAS5 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the Borrowers' equity of redemption and subject to registration or recording at Land Registry of MAS5 as proprietor of the relevant Mortgage;
- MAS5 has not and, so far as MAS5 is aware, GMAC-RFC has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on MAS5's title to any Loan or Related Security;
- MAS5 has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- each of MAS5 and GMAC-RFC have at all relevant times held a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England and Wales;
- each intermediary that introduced a customer to GMAC-RFC for the purposes of GMAC-RFC entering into a Loan with that customer was authorised by the FSA at the time of introduction;
- from and including 31 October 2004:
  - (a) each of MAS5 and GMAC-RFC has been, and continues to be, authorised by and hold appropriate permissions from the FSA to conduct all applicable Regulated Mortgage Activities in respect of the Loans; and
  - (b) each of MAS5 and GMAC-RFC has complied with the provisions of MCOB where applicable in respect of all Loans;
- so far as MAS5 is aware, each intermediary that introduced a Loan to GMAC-RFC on or after 31 October 2004 was authorised by the FSA; and
- each of MAS5 and GMAC-RFC have, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its Mortgage and the Related Security and all such accounts, books and records are in the possession of MAS5;
- each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower (except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) this warranty shall not apply in respect of any redemption fees) and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to MAS5 in priority, in the case of a Mortgage which is a first ranking mortgage, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property (except 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 where such charge has not been postponed);
- the beneficial interest in the Further Advance is vested in MAS5;
- prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Administration Agreement were duly undertaken.
- prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the relevant Lending Criteria in all material respects.
- each Further Advance has been made on the terms of the Standard Documentation of MAS5 or GMAC-RFC (so far as applicable) without material variation.

- MAS5 is authorised by, holds appropriate permissions from the FSA to conduct all Regulated Mortgage Activities and has complied with the provisions of MCOB in respect of each Further Advance.
- no Borrower, Mortgagor or Guarantor in respect of a Further Advance is an employee of MAS5.
- in respect of each Buy to Let Loan:
  - (a) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 (an **Assured Shorthold Tenancy**) for a fixed term not more than 12 months or, where the Housing Act 1988 does not apply to the tenancy, a tenancy agreement on terms no less favourable to MAS5 as would be the case if the tenancy had been an Assured Shorthold Tenancy (an **Other Tenancy Agreement** and together with the Assured Shorthold Tenancies, the **Existing Tenancy Agreements**) and (ii) MAS5 is not aware of any material breach of such Existing Tenancy. Agreements;
  - (b) GMAC-RFC caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except in the case of a House Plus Loan which is assessed on a Borrowers' self-certified income) of the relevant Property by a Valuer in all material respects in accordance with the Lending Criteria; if the relevant Property is secured by a Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements 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 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;
  - (c) MAS5 has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry of MAS5 as proprietor or registered owner of the relevant Mortgage.

## **PFL Lending Guidelines**

The following is a summary of the guidelines (the **PFL Lending Guidelines**) of Platform Funding Limited (**PFL**) that were applied (subject to such deviation made in accordance with the standard of a Prudent Mortgage Lender) in respect of the Mortgages to be sold pursuant to the PFL Mortgage Sale Agreement and the Meerbrook 3 Mortgage Sale Agreement.

### *Security*

- (a) Each of the loans advanced under a Mortgage must be secured by a first ranking legal mortgage (an **English Mortgage**) over a freehold or leasehold residential property (with a term at least 25 years longer than the mortgage term and not less than 50 years remaining on the lease) located in England and Wales (an **English Property**); or secured by a first standard security (a **Scottish Mortgage**) over a heritable or a long leasehold residential property (with not less than 99 years remaining on the lease) located in Scotland (a **Scottish Property**) or secured by a first mortgage (a **Northern Irish Mortgage**) over a freehold or long leasehold residential property (with not less than 99 years remaining on the lease) located in Northern Ireland (a **Northern Irish Property**), the English

Property, the Scottish Property and the Northern Irish Property are collectively defined as the **Property** or the **Properties** securing the payment of all sums due from the relevant Borrowers under the terms of the loans made to them (the **Loans** and, individually, each a **Loan**).

- (b) Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or an architects certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
  - properties listed as defective under the Housing Acts 1984 and 1985 (unless rebuilt to NHBC standards with appropriate guarantees)
  - mobile homes or houseboats
  - prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties
  - property where a flying freehold exists affecting more than 15 per cent. of the whole
  - shared ownership properties
  - properties whose construction includes high alumina cement
  - buildings with agricultural restrictions, small holdings or farms
  - buildings of 100 per cent. timber construction
  - steel framed properties (except post 1987 construction with BBA or WIMLAS certification)
  - multi occupied property
  - tenanted property (except where the loan advanced is a "buy to let" loan)
  - properties with commercial usage
  - live/work units
  - flats in blocks of more than four storeys of accommodation are subject to individual consideration
- (e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL.
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy (as defined under "*Insurance Contracts*" below) in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

#### *Loan Amount*

With the exception of certain allowable fees added to the aggregate balance, each Mortgage at the time of completion must be for a minimum principal amount of at least £25,001. No Mortgage may exceed a maximum principal amount of £1,000,000 (including Further Advances).

#### *Loan to value*

- (a) The loan to value ratio (**LTV**) is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price and valuation of the Property (with the exception of right-to-buy cases and sales at an undervalue where the valuation is used).



- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

#### *Term*

Each Mortgage must have an initial term of between 10 and 30 years.

#### *Borrowers*

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of four Borrowers are allowed to be parties to the Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
- search supplied by a credit reference agency;
  - CAIS information;
  - confirmation of voters roll entries or proof of residency;
  - references from employers;
  - accountant's certificate;
  - references from lenders; or
  - references from current landlords and previous landlords.
- (d) Explanations may be provided where a County Court Judgment (or its Scottish or Northern Irish equivalent) (**CCJ**) relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a Bankruptcy Order (**BO**) or Individual Voluntary Arrangement (**IVA**) (or their Scottish equivalent) and such explanations have been asked for at the underwriter's discretion.
- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

#### *Income*

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self-employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will depend on the loan to value:
- where the loan to value is greater than 85%, then the principal amount advanced will not exceed the higher of 4.5 times the assessed income of the primary Borrower plus one times the assessed income of the secondary Borrower, or 3.5 times the combined assessed incomes of the primary and secondary Borrowers; and
  - where the loan to value is equal to or less than 85%, then the principal amount advanced will not exceed the higher of 5.0 times the assessed income of the primary Borrower plus one times the

assessed income of the secondary Borrower, or 3.5 times the combined assessed incomes of the primary and secondary Borrowers.

- (c) Customers who wish to self certify their income are required to make a full declaration of their total personal income for the last three months on the application form and must still complete in full the employment section of the application form. Reasonability tests are applied to the customer's declared income with reference to their trade and location.

#### *Solicitors*

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the Britannia Building Society Solicitors panel. If the applicant wishes to use a solicitor not on the Britannia Building Society Solicitors panel then the lender will instruct one of the solicitors on the Britannia Building Society Solicitors panel to act for the lender at the applicant's expense.

*Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 and the Housing (Northern Ireland) Order 1983 (as amended)*

Some Mortgages (**Right to Buy Mortgages**) may be subject to the Right to Buy provisions of the Housing Act 1985, the Housing (Scotland) Act 1987 (as amended) and the Housing (Northern Ireland) Order 1983 (as amended).

#### *Buy to Let Loans*

Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties (**Investment Home Loan Mortgages**) are governed by the same, or at times, more strict lending guidelines than the PFL Lending Guidelines, including:

- (a) the maximum LTV of each Loan is 90 per cent. excluding fees;
- (b) the rental payment received by the Borrower in respect of the relevant Property is at least 110 per cent. of the Borrower's monthly payment under the Loan; and
- (c) a more limited adverse credit history from the Borrower.

#### *House Plus*

The House Plus product is a conforming Buy To Let product. Income earned by the borrower replaces rental yield as the means by which the loan is repaid. The borrower self certifies their income to purchase a Buy To Let property. Income multiples are applied in the standard way for Owner Occupied Residential loans. However, 7% of the residential mortgage balance is deducted from gross income before income multipliers are applied, to reflect existing mortgage commitments. Normal self certification reasonability and verification measures are also applied.

House Plus lending guidelines also include:

- (a) with the exception of certain allowable fees added to the aggregate balance, the maximum House Plus Loan is £1,000,000;
- (b) the maximum LTV for a House Plus Loan of £300,000 is 85%;
- (c) the maximum LTV for a House Plus Loan of £1,000,000 is 75%;
- (d) the maximum House Plus Loan in respect of mortgaged Property which has been constructed in the last 12 months is £300,000; and
- (e) only one House Plus Loan per Borrower / household is permitted.

#### *Exceptions to the PFL Lending Guidelines*

Exceptions to the PFL Lending Guidelines may only be made by Platform Home Loans Limited (**PHL**) mandate holders (**PHL Mandate Holders**). Within their individual mandate, PHL Mandate Holders may

make any exception to the PFL Lending Guidelines provided that such exception is (i) in line with prudent mortgage lending in the non-conforming market and (ii) documented on the case.

#### *Changes to PFL Lending Guidelines*

PFL may vary the PFL Lending Guidelines from time to time in the manner of a Prudent Mortgage Lender and has recently increased the maximum LTV applicable to particular mortgage products.

#### **GMAC-RFC Lending Guidelines**

The following is a summary of the GMAC-RFC Lending Criteria that were applied (subject to GMAC-RFC taking reasonable steps to ensure it was the case (and that any discretions to deviate from such criteria were exercised in accordance with GMAC-RFC's policies)) in respect of the MAS5 Loans.

#### *Security*

- (a) GMAC-RFC requires a first legal charge over the Property. It must be used by the Borrower(s) for private residential purposes only. Full vacant possession must be obtained at completion and no part let or part possession will be accepted.
- (b) Mortgage properties are required to be valued using an automated valuation model (**AVM**) or by a suitably qualified valuer on GMAC-RFC's approved panel of valuers, as agreed from time to time and managed and monitored by credit risk. For a buy to let (**BTL**) Loan, the valuation report must provide an estimate of the rental income that may be obtained and must also provide comparables in line with the valuation.
- (c) Property securing a BTL Loan must be let on a six or 12 month assured shorthold tenancy or on a company let not exceeding 36 months. It must be let within three months of completion of the Loan, and remain available for letting throughout the term of the Loan.
- (d) Property securing a BTL Loan may not be occupied by the borrower.
- (e) The following property types are considered unacceptable security:
  - (i) Freehold flats and maisonettes (in England & Wales only)
  - (ii) Residential flats above commercial premises, with an LTV of more than 85 per cent.
  - (iii) Investment flats above commercial premises, with an LTV of more than 75 per cent.
  - (iv) Studio flats
  - (v) Properties with unexpired lease term of less than 30 years at end of the mortgage term.
  - (vi) Shared ownership properties
  - (vii) Tenanted properties (residential only)
  - (viii) Investment properties (residential only)
  - (ix) Commercial properties
  - (x) Properties subject to agricultural restrictions
  - (xi) Properties under 10 years old without one of the following:
    - (A) NHBC Certificate
    - (B) Zurich Municipal Guarantee
    - (C) Architect's Certificate (RJOBA)
    - (D) Chartered Building Surveyor's Certificate
    - (E) Premier Guarantee

- (xii) Properties where stage payments are required
- (xiii) Unimproved/uninhabitable properties i.e. no kitchen or bathroom
- (xiv) Properties with two kitchens and/or multiple services on BTL loans
- (xv) Properties with greater than two kitchens and/or multiple services on residential loans.
- (xvi) Prefabricated or large panel concrete construction (LPS).
- (xvii) Pre-fabricated reinforced concrete construction (PRC).
- (xviii) Concrete block construction designated Mundic
- (xix) Properties of high alumina cement
- (xx) BISF, metal and steel framed properties
- (xxi) Any property designated defective under the Housing Act
- (xxii) Properties of 100 per cent, timber construction
- (xxiii) Properties with ongoing structural movement or movement that requires monitoring
- (xxiv) Underpinned properties where no guarantees are available
- (xxv) Uninsurable properties, or properties subject to an ongoing insurance claim
- (xxvi) Properties likely to be adversely affected by local planning, e.g. road widening
- (xxvii) Properties where an unsatisfactory mining search is received
- (xxviii) Grade 1 listed buildings
- (xxix) Second homes/holiday homes
- (xxx) Mobile homes and houseboats
- (xxxi) Properties with land in excess of 5 hectares/12 acres
- (xxxii) Where the valuation report indicates:
  - (A) The interior/exterior condition of the property is poor & demand is poor
  - (B) The saleability of the property is affected by local factors & demand is poor

#### *Loan size*

GMAC-RFC will not originate a Loan that will be £25,000 or less at the time of completion. The maximum loan size is £1,000,000 for verified loans and £750,000 for self-certified Loans and £1,000,000 for BTL Loans.

The loan to value ratio (**LTV**) is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Loan by the lower of the valuation of the Property or, in the case of a Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price that has been paid reflects a discount).

GMAC-RFC does not originate Loans with an LTV higher than 95 per cent (89 per cent for BTL Loans), subject to exceptions in certain circumstances.

#### *Term*

Each Loan must have an initial term of between 5 and 30 years.

### *Borrowers*

- (a) Borrowers must be natural persons, and have been at least 18 years of age (or, in the case of BTL Mortgages, the primary applicant must be at least 25 years of age) prior to completion of the Loan and the term of mortgage loans usually must end before the primary applicant reaches his/her 76th birthday (subject to approved exceptions)
- (b) A maximum number of 4 Borrowers are allowed to be parties to a Loan or 2 Borrowers for BTL Loans
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
  - (i) Search supplied by credit reference agency
  - (ii) Confirmation of voters roll entries or proof of residency
  - (iii) Reduced referencing telephone call to applicants employer to verify works there unless selected for an audit then a reference from current employers
  - (iv) Reduced referencing telephone call to applicants accountant to confirm acts for applicant unless selected for an audit then an Accountant's certificate
  - (v) Reference from current lenders
  - (vi) Reference from current landlords
- (d) CCJs/defaults are permitted with a total value of £10,000. The restriction will not apply in the following circumstances:
  - (i) Where the CCJs/defaults were registered more than 3 years ago and satisfied at time of application
  - (ii) Where the CCJs/defaults were satisfied more than 12 months prior to application, regardless of the date of registration
  - (iii) Where the CCJs/defaults were registered more than 6 years ago, ignored regardless of whether or not it was satisfied/settled.

In these instances there will be no limit on the number or value of CCJ/defaults permitted. For self-certified Loans, where the CCJ/default has been satisfied/settled within the last 12 months, it will not be acceptable regardless of number or value. Where satisfaction of CCJs is a requirement of the Loan, a certificate of satisfaction must have been provided.

- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were the subject of an IVA will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

### *Income*

BTL Loans are deemed to be self-funding. Applicants will declare on the application form details of income and occupation, but no further information is required. Unemployed applicants will be unacceptable. Gross monthly rental income must be at least 100 per cent, of the monthly mortgage interest payments. Affordability is calculated at the current interest rate of the Loan or the Bank of England repo rate plus a reference margin. The reference margin ranges from 1.00 per cent, to 1.25 per cent.

### *Solicitors*

GMAC-RFC will normally instruct the applicant's solicitor to act on its behalf provided that the firm meets the following criteria:

- (a) Has a minimum of two partners

- (b) Has indemnity insurance in place (minimum £1,000,000)
- (c) All partners have current practising certificates

Sole practitioners will not be instructed to act on behalf of the company. Licensed conveyancers will not normally be instructed to act on behalf of the company.

#### *Retentions*

GMAC-RFC does not allow partial retentions. For residential applications where a retention of £5,000 or less or for a BTL application where a retention of £2,500 or less, and provided that the works are not related to structural faults or dry rot, the company will proceed on the basis that the applicant(s) undertake(s) to carry out the necessary works within a specified period of completion. This will normally be three or six months, depending upon the nature of the works. Lending will be based on the after-works value, provided the LTV does not exceed 100 per cent, based on the current valuation, no matter what the nature of the works required or the actual cost. The 'after-works' value can be no more than 10.0 per cent, higher than the 'present-condition' valuation.

#### *Exceptions/Changes to the GMAC-RFC Lending Criteria*

GMAC-RFC took reasonable steps at the time of origination of the GMAC-RFC Loans to ensure that the GMAC-RFC Lending Criteria were satisfied (and that any discretions were exercised in accordance with GMAC-RFC's policies).

#### **Administration of the Mortgage Pool**

PFL in respect of the PFL Mortgages and the Meerbrook 3 Mortgages and MAS5 in respect of the MAS5 Mortgages will be required from the Closing Date to administer the Mortgage Pool as agents of the Issuer and the Trustee under and in accordance with the terms of the Administration Agreement. The duties of the Administrators will include amongst other things:

- operating the Accounts and ensuring that payments are made into and from the Accounts in accordance with Administration Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Prudent Mortgage Lender to do in administering its mortgages;
- make all filings, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Issuer;
- arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;
- keeping general books of account and records of the Issuer, provide accounting services including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns; and
- paying on behalf of the Issuer all the out-of-pocket expenses of the Issuer incurred in the performance of the Administrators' duties under the Administration Agreement.

It is intended that PFL and MAS5 will delegate certain administration services to WMS on the Closing Date.

## Enforcement Procedures

The Administrators have established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Administrators (or any sub-administrator of the Administrators) in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Prudent Mortgage Lender or with the consent of, *inter alia*, the Issuer and the Trustee, are required to be used by the Administrators in respect of arrears arising on the Mortgages. In cases of a default by a Borrower in respect of a Mortgage, different enforcement procedures will apply depending on where the relevant Property subject to the Mortgage is situated.

### *English Loans*

In order to realise its security in respect of a Property situated in England, the relevant mortgagee (be it the legal owner (PFL or MAS5 as applicable), the beneficial owner (the Issuer), the Trustee or its appointee (if the Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

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

### *Scottish Loans*

A proportion of the Mortgages are secured over properties in Scotland (**Scottish Loans**). These are secured by security taken over the relevant properties by way of standard security, being the only means of creating a fixed charge or security over heritable property in Scotland (**Scottish Mortgages**). In respect of Scottish Mortgages, references herein to a **Mortgage** and a **Mortgagee** (or the **Legal proprietor** of a Mortgage) are to be read as references to such a standard security and the heritable creditor thereunder, respectively.

A statutory set of *Standard Conditions* is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties.

The main provisions of the Standard Conditions, which cannot be varied by agreement, relate to enforcement. Generally, where a breach by a Borrower entitles the lender to enforce the security, an appropriate statutory notice must first be served. First, the lender may serve a "calling up notice" requiring repayment, in which event the Borrower has two months to comply and in default the lender may enforce its rights under the standard security by sale or the other remedies provided by statute (court application only being necessary where the Borrower fails to vacate the property). Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which event the Borrower has only one month in which to comply, but also has the right to object to the notice by court application within fourteen days of the date of service. In addition, the lender may in certain circumstances make direct application to the court

without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case, and the relevant Administrator will in practice proceed with the remedy most likely to be effective in enforcing or protecting the security.

Prior to December 2001, once a default by a Borrower had been constituted by one of the methods detailed in the preceding paragraph the courts were bound (except in very limited circumstances) to grant the enforcement remedies sought by the lender. This position has been altered by the Mortgage Rights (Scotland) Act 2001, which was brought into force on 3 December 2001. The principal effect of the Mortgage Rights (Scotland) Act 2001 is to confer on the court a discretion, on the application of the Borrower (or the Borrower's spouse or partner) within certain time limits, to suspend the exercise of the lender's enforcement remedies for such period and to such extent as the court considers reasonable in the circumstances, having regard amongst other factors to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation.

This now brings the situation in Scotland broadly in line with that in England and Wales where Sections 36-38 of the Administration of Justice Act 1970 provide the courts with similar discretion.

#### *Northern Irish Loans*

In cases of default by a Borrower in relation to a Mortgage secured over property situated in Northern Ireland, requiring the issue of legal proceedings, those proceedings are virtually identical to English proceedings. After a possession order is obtained the judgment is enforced through the Enforcement of Judgments Office (rather than by bailiffs) and it has its own procedures for enforcement.

By virtue of Article 51 of The Judgments Enforcement (Northern Ireland) Order 1981 an order charging land (i.e. a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

#### **Further Advances**

The Principal Administrator (in its capacity as cash manager) may, subject to a Ratings Test having been satisfied and in accordance with the lending criteria, arrange on behalf of the Issuer to purchase Further Advances: (i) from Meerbrook 3 (who in turn will purchase such Further Advances from PFL); (ii) from PFL; or (iii) from MAS5, secured on the relevant Property as agent for and on behalf of the Issuer. In making such Further Advances, PFL, Meerbrook 3 and MAS5 (as applicable) will apply the lending criteria applied at the date of origination of the loans secured by the Mortgages in the Mortgage Pool (as amended from time to time in accordance with the standard of a Prudent Mortgage Lender) (the **Lending Guidelines**). Furthermore, the purchase of a Further Advance by the Issuer will be subject, *inter alia*, to the following conditions:

- (a) the Issuer has sufficient monies to purchase such Further Advance from Applied Principal, as provided for in paragraph 2 of Schedule 2 of the Administration Agreement and/or from any retained proceeds from the issue of the Notes;
- (b) the amount held in the Relevant GIC Account in respect of the Required Amount must be equal at the relevant time to the Required Amount or such other amount agreed from time to time upon a Ratings Test having been satisfied;
- (c) upon the purchase of any Further Advance, so far as the Principal Administrator is aware, the relevant Borrower is not in material breach (including, without limitation, non-payment of any amounts due) of any of the Mortgage Conditions and the Mortgage Conditions will be satisfied;
- (d) to the extent that the Principal Administrator has reason to believe that the relevant Further Advance to be made to the Borrower by PFL or MAS5 may result in a regulated agreement (as defined in the Consumer Credit Act) any applicable provisions of the Consumer Credit Act relating to regulated agreements will be complied with;



- (e) each Further Advance (together with all related fees, costs and expenses) will have the benefit of the same security (whether under the same mortgage or under a second mortgage ranking immediately behind the Issuer's existing Mortgage) as the principal balance under the existing Mortgage immediately prior to the purchase of such Further Advance;
- (f) PFL's and MASS's further advance procedures have been applied to the Further Advance and to the circumstances of the Borrower at the time the Further Advance was purchased such that the relevant Lending Criteria would be satisfied upon the purchase of the Further Advance;
- (g) the Principal Administrator reasonably believes that, prior to purchasing the Further Advance, no second mortgage, standard security or charge has been created over the relevant Property (unless such second mortgage, standard security or charge has been expressly postponed by deed or ranking agreement to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the purchase of the Further Advance);
- (h) if the Further Advance purchased by the Issuer relates to Mortgages which are or are required to be the subject of a hedging arrangement, such hedging arrangement is in place so that the Ratings Test is satisfied;
- (i) the aggregate amount of all Further Advances does not exceed 10.0 per cent. of the aggregate outstanding balances of the Mortgages plus the amount of the Retentions as at the Closing Date;
- (j) by reference to a calculation made on the immediately preceding Calculation Date, the total amount of interest arrears in respect of the Mortgages on such Calculation Date expressed as a percentage of the gross interest due on all Mortgages outstanding during the 12 months preceding such Calculation Date does not exceed 3 per cent. save that the figure of 3 per cent. shall exclude arrears of interest as at 30 April 2008, and may be increased from time to time if the Ratings Test is satisfied; and
- (k) such other tests as required by the Rating Agencies from time to time including:
  - (i) at the AAA level of the Notes, the product of the Weighted Average Foreclosure Frequency (**WAFF**) and the Weighted Average Loss Severity (**WALS**) as calculated by the Administrators using each of the Fitch and S&P models after such Further Advance is made does not exceed the product of the WAFF and WALS as determined using the Fitch and S&P models with respect to the Provisional Pool by more than 0.25 per cent.; and
  - (ii) the weighted average product margin of the Mortgages over the relevant index as at the relevant Calculation Date (**Weighted Average Margin**) together with the Weighted Average Margin on the Further Advances will be greater than or equal to the Weighted Average Margin as at the Closing Date.
- (l) the Uncovered Shortfall at the end of the last preceding Interest Payment Date was zero.

As at the Provisional Cut-Off Date, there are 88 Further Advances in the pool with an aggregate value of £2,469,998.01.

### **Conversion of Mortgages**

The relevant Administrator on behalf of the Issuer may agree to a request by a Borrower for a Converted Mortgage. The conditions that will apply include:

- (a) if the Administrators have reason to believe that any Converted Mortgage may result in a regulated agreement (as defined in the Consumer Credit Act), any applicable provisions of the Consumer Credit Act relating to regulated agreements will be complied with;
- (b) the Converted Mortgage will be on terms of the relevant standard documentation utilised by PFL at the time of such conversion to document the terms of mortgages it is offering generally and which has not been varied in any material respect;

- (c) no notice converting the floating charge granted under the Deed of Charge over the assets of the Issuer into a fixed charge or Enforcement Notice (as defined in Condition 10(a), ("*Events of Default*")) has been given by the Trustee which remains in effect at the date of the relevant conversion;
- (d) the conversion of the Mortgage will not adversely affect any of the then current ratings of the Notes as determined following a Ratings Test;
- (e) the effect of the conversion would not be to extend the final maturity date of such Mortgage to beyond the date falling two years prior to the final maturity of the Notes;
- (f) on the date of conversion, so far as the Administrators are aware, the warranties given in the Meerbrook 3 Origination and Sale Agreement or the PFL Mortgage Sale Agreement (as applicable) in relation to the Converted Mortgage have not been breached;
- (g) the conversion of the applicable Mortgage is effected by means of a variation agreement executed by the Borrower and the Mortgage once converted will rank equally in point of priority (as against any other charges or encumbrances affecting the Property) with its priority before such conversion;
- (h) to the extent that the Converted Mortgage is a non LIBOR-Linked Mortgage, any appropriate hedging or other arrangements are or will on the date of conversions be in place so that such conversion would not adversely affect the then current ratings of the Notes as determined following a Ratings Test; and
- (i) on any subsequent Calculation Date, the Weighted Average Margin (including Converted Mortgages) will be no less than the Weighted Average Margin had no loans been converted since the Closing Date minus 0.25 per cent, in each case calculating the Weighted Average Margin with the current balances of the outstanding Mortgages on the Calculation Date immediately preceeding a conversion.

## **Insurance Contracts**

### *Buildings Insurance*

Buildings insurance or building and contents insurance is arranged by the Administrators arranging for cover to be provided by a block buildings insurance policy (**Block Buildings Insurance Policy**) or by the relevant Borrower selecting an insurer and arranging cover accordingly (a **Third Party Buildings Policy**).

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

In respect of the Mortgages to be sold by MAS5 pursuant to the MAS5 Mortgage Sale Agreement, MAS5 will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property.

In respect of the Meerbrook 3 Mortgages, under the Meerbrook 3 Origination and Sale Agreement, PFL warranted to Meerbrook 3 that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost. Pursuant to the Meerbrook 3 Mortgage Sale Agreement, Meerbrook 3 will assign to the Issuer the benefit of such warranty on or about the Closing Date.

### *Local Authority Search Insurance*

In respect of the PFL Mortgages, local authority search insurance, where taken, is currently provided by First Title Insurance plc whose registered office is at Walkden House 2nd Floor, 3-10 Melton Street, London NW1 2EB. First Title Insurance plc is the UK subsidiary of The First American Corporation. It is an insurance company which provides title insurance and other real-estate related financial products.

Additionally, there is an indemnity policy relating to Right to Buy Loans currently provided by Norwich Union Insurance Limited (**Norwich Union**) whose registered office is at 8 Surrey Street, Norwich, Norfolk, NR1 3NG. Norwich Union Insurance Limited is an insurance company which provides a wide range of insurance products including local authority search insurance.

In respect of the Mortgages to be sold by PFL pursuant to the PFL Mortgage Sale Agreement, PFL will warrant to the Issuer that the relevant local authority search insurance policy and the indemnity policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy.

In respect of the MAS5 Mortgages to be sold by MAS5 pursuant to the MAS5 Mortgage Sale Agreement, MAS5 will warrant to the Issuer that a local search insurance policy and the indemnity policy was in full force and effect, that all premiums payable thereon had been paid, and so far as MAS5 was aware, the policy was valid and enforceable and MAS5 had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy.

In respect of the Meerbrook 3 Mortgages, under the Meerbrook 3 Origination and Sale Agreement, PFL warranted to Meerbrook 3 that the relevant local authority search insurance policy and indemnity policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy. Meerbrook 3 will assign to the Issuer the benefit of such warranty under the Meerbrook 3 Mortgage Sale Agreement.

#### *PHL Title Insurance Policy*

In respect of certain PFL Mortgages, PFL has the benefit of a title insurance policy issued by London & European Title Insurance Services Limited to Platform Home Loans Limited (**PHL**) in respect of any loss arising from the existence of any adverse matter which would have been revealed had PFL instructed a solicitor to conduct a search or other procedure against the title to the relevant Property. PFL has the benefit of the title insurance policy by virtue of Platform Consumer Services Limited (company registration number 03720213) being the parent company of both PFL and PHL.

In respect of certain GMAC-RFC Mortgages, GMAC-RFC has the benefit of a title insurance policy issued by London & European Title Insurance Services Limited to GMAC-RFC in respect of any loss arising from the existence of any adverse matter which would have been revealed had GMAC-RFC instructed a solicitor to conduct a search or other procedure against the title to the relevant Property.

## REGULATION OF THE UK RESIDENTIAL MORTGAGE MARKET

### *Introduction*

Until 31 October 2004, the primary regulatory requirements applicable to mortgage loans were imposed by the Consumer Credit Act 1974 (the **CCA**). The CCA imposes requirements on mortgage loans which are regulated consumer credit agreements (**Regulated Credit Agreements**). If entered into prior to 6 April 2008 Regulated Credit Agreements are those where the "amount of credit" (as defined in the CCA) does not exceed the financial limit, which is £25,000 for mortgage loans made on or after 1 May 1998 or lower amounts for mortgage loans made before 1 May 1998 and the loan is not otherwise exempt. On 6 April 2008 the £25,000 threshold was removed with the effect that unless an exemption applies, a loan of any amount entered into after that date is a Regulated Credit Agreement. The CCA is enforced by the Office of Fair Trading (**OFT**). Loans in the Mortgage Pool which meet these criteria and were advanced before 31 October 2004 will therefore need to comply with the requirements of the CCA. The CCA may still apply to Loans advanced on or after 31 October 2004, which are not Regulated Mortgages as described below as well as to variations on or after 31 October 2004 of Loans originated before that date.

Since 31 October 2004, most residential mortgage loans are regulated under the Financial Services and Markets Act 2000 (the **FSMA**) and not the CCA. FSMA applies to regulated mortgage contracts as defined in Article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **Order**) which are advanced on or after 31 October 2004 (**Regulated Mortgages**). Variations to agreements made before 31 October 2004 may give rise to new regulated mortgage contracts and as such have FSMA consequences where such variations amount to novations of existing agreements and constitute the creation of a new contract with the borrower and where such contract satisfies the criteria in the Order for a Regulated Mortgage. Further Advances may also give rise to CCA consequences to the extent that they do not satisfy the criteria in the Order for a Regulated Mortgage or result in the variation of a Regulated Credit Agreement and the creation of multiple agreements under Section 18 of the CCA. A Regulated Mortgage is a contract under which the lender provides credit to an individual or a trustee and the contract provides for the obligations of the borrower to be secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land located (other than timeshare accommodation) in the United Kingdom where at least 40 per cent. of the land is (or is intended) for residential use by the borrower or by an individual who is the beneficiary of the trust or his or her immediate family. Regulated Mortgages are not subject to CCA requirements, but are subject to requirements imposed by the Financial Services Authority (the **FSA**). Some of the Loans sold by PFL, MAS5 and Meerbrook 3 to the Issuer on the Closing Date will need to comply with the FSA requirements (having been originated after 31 October 2004), and any Further Advance which may be included in the Mortgage Pool originated after 31 October 2004 may need to comply with these FSA requirements.

For the avoidance of doubt, Regulated Mortgages that were (prior to the new regulatory regime for mortgage lending) regulated under the CCA are, however, enforceable only under court order obtained pursuant to Section 126 of the CCA, notwithstanding their regulation under the FSMA.

Thus, since 31 October 2004, Regulated Mortgages are subject to the FSMA and the FSA's rules, including the mortgage conduct of business rules set out in the FSA Handbook (**MCOB**). Mortgage loans which do not fall within the definition of a Regulated Mortgage (for example, second charge mortgages or standard securities) and which are Regulated Credit Agreements are subject to the CCA (enforced by the OFT). Loans which are neither Regulated Mortgages nor Regulated Credit Agreements are not subject to any credit-related regulatory requirements. The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005. This Order, which amends sections 82 and 146 of the CCA, is intended to remove the possibility that a mortgage agreement could fall to be regulated in certain circumstances under both FSMA and the CCA. See "*Future Reforms to the Consumer Credit Act 1974*" for details of possible changes to the criteria for Regulated Credit Agreements which may result in the extension of the CCA regulatory regime to include any mortgage loans for non-business purposes which are not Regulated Mortgages.

### ***Loans Regulated by the Consumer Credit Act 1974***

A licence is required from the OFT to originate Regulated Credit Agreements and in order to carry out certain other activities relating to Regulated Credit Agreements. The OFT can take formal proceedings to revoke the licences of those it considers to be unfit to hold a licence. In the event that the licence is revoked, the former holder of the licence is no longer able to carry on a consumer credit business. Loans made by unlicensed lenders or introduced by unlicensed credit brokers are unenforceable without an order from the OFT.

The OFT may issue guidance for licence holders which may set out practices which in the opinion of the OFT call into question a licence holders' fitness to continue to hold a consumer credit licence. Such guidance does not have the force of law, but breach of it may be taken into account by the OFT in assessing a person's fitness to hold a consumer credit licence. The OFT has issued guidance entitled "*Non-Status Lending Guidelines for Lenders and Brokers*" (the **Guidelines**) which is directed at mortgage lenders who lend to borrowers who may have difficulty obtaining credit on the basis of the general lending criteria of typical UK banks and building societies (often known as non-status, credit impaired or sub-prime borrowers). Further consideration of the Guidelines is set out below.

The Mortgage Pool will contain loans which are Regulated Credit Agreements. This may arise for Loans which (a) are partly regulated by the CCA in that they also finance the supply of insurance under arrangements with the supplier or (b) might be wholly or partly regulated by the CCA because of technical rules on determining whether the financial limit is exceeded or (c) might be treated as wholly or partly regulated by the CCA because of technical rules on agreements varied mutually or (d) are treated as wholly or partly regulated by the CCA as they were intended to be loans regulated by the CCA or entered into on documentation stated to be regulated by the CCA.

A Regulated Credit Agreement has to comply with requirements under the CCA as to content, layout and execution of the loan documentation. Apart from the question of enforceability on the ground that the creditor or broker did not hold the appropriate licence (as explained above), a Regulated Credit Agreement will be unenforceable: (a) if the agreement to be signed by the Borrower is not signed by the Borrower personally or omits or misstates a "prescribed term"; or (b) without a court order, where a Regulated Credit Agreement fails to comply with the CCA requirements in other ways. Where the court has a discretion to enforce the agreement, 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. The terms of a Loan may also be reopened if a Court finds an agreement to be an extortionate credit bargain within the meaning of the CCA.

Although no assurance can be given, in respect of those Mortgages where the relevant loan was one which, under the relevant lender's criteria, that lender expected to be regulated by the Consumer Credit Act and assuming that (i) the Mortgage forms have been properly completed before execution and signed by the Borrower; (ii) there is no financing for charges that are outside the "total charge for credit" as defined in the Consumer Credit Act; (iii) technical rules on, including within the total charge for credit and the annual percentage rate, the correct fees, charges and other amounts have been properly applied; (iv) technical rules on determining whether the financial limit is exceeded have been properly applied; and (v) no Mortgage has been varied bilaterally; then it is unlikely that the Mortgages would be unenforceable on the basis of non-compliance with requirements under the Consumer Credit Act as to content and layout and otherwise save in exceptional circumstances.

If a court order is necessary, and capable of being granted, to enforce a Mortgage securing a Loan, in dealing with such application, the court has the power, if it appears just to do so, to amend a Loan which is a Regulated 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).

Other liabilities may also arise under the CCA. In certain circumstances, lenders can be made responsible for misrepresentations and breaches of contract in respect of goods or services financed by a Regulated

Credit Agreement. This may arise, for example, in relation to any insurance policies financed by the Loan and may result in a claim by a Borrower to set off amounts due under a Regulated Credit Agreement.

Under the Meerbrook 3 Origination and Sale Agreement, PFL warranted that all regulated loans comply with the requirements of the Consumer Credit Act. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement. Additionally, under the Meerbrook 3 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 3 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, PFL will warrant that all regulated loans comply with the requirements of the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS5 Mortgage Sale Agreement, MAS5 will warrant that all regulated loans comply with the requirements of the Consumer Credit Act and Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS5 under the MAS5 Mortgage Sale Agreement.

As a consequence, where a court or other competent authority determines that a Mortgage is unenforceable as a result of a breach of the Consumer Credit Act or there has been an alleged breach of the Consumer Credit Act which is the subject of a complaint by a Borrower, a consumer body or a competent regulatory body and such breach is likely to make that Mortgage unenforceable, the Issuer will have the benefit of the relevant warranties and guarantees provided or assigned to it.

#### ***Non-Status Lending Guidelines for Lenders and Brokers issued by the OFT***

As noted above, the OFT may issue guidance to consumer credit licence holders which does not have force of law, but breach of which may be taken into account by the OFT in considering a person's fitness to hold a consumer credit licence.

The Guidelines issued by the OFT in November 1997 apply to all secured loans made to "non-status borrowers", defined for the purposes of the guidelines as borrowers with a low or impaired credit rating and who would find it difficult generally to obtain finance from traditional sources on normal terms and conditions. Most of the Loans are concluded with Borrowers who fall within this category. The Guidelines are not legislation. They set out certain "principles" to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question. Although it is not obliged to do so, PFL and MAS5 have liaised with the OFT and taken steps to ensure that it adopts practices and procedures in compliance with the Guidelines.

The Guidelines regulate activities relating to advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates, flat interest rates and early redemption payments. The Guidelines are designed to promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanation of all fees and charges payable by the borrower in connection with the mortgage.

Some of the principal requirements of the Guidelines are: (a) advertising and other promotional material must be clear and not misleading and unfair sales tactics are prohibited; (b) brokers are obliged to disclose at the outset of the transaction their status with regard to the borrower and the lender, together with details of any fee or commission payable to them as broker; (c) lenders must take all reasonable steps to ensure that brokers and other intermediaries who market their products do not engage in unfair business practices or act unlawfully, that they serve the best interests of borrowers and explain clearly the documentation and consequences of any breach or early repayment to borrowers; (d) lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay and verification of the accuracy of information provided by borrowers on or in support of the loan application;

(e) all underwriting staff must be properly trained and supervised; (f) prompt notification to borrowers of any changes in the terms and conditions of the loan including prior notification of at least 2 months of any changes to the borrower's monthly payment date and any variations to the applicable interest; (g) partial repayment and early repayment charges must do no more than cover the costs reasonably incurred by the lender to date and not already recovered and reasonable administrative costs arising from the prepayment; (h) the use of the "Rule of 78" to calculate the early settlement figure should be discontinued; (i) borrowers should not be charged a higher interest rate on default and administrative charges incurred on default must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation; (j) arrears must be dealt with sympathetically and positively and monitored closely, with repossession proceedings being initiated only as a last resort and court proceedings should not be instituted unless all other avenues have failed.

### ***Reforms to the Consumer Credit Act 1974***

In July 2001, the department of the U.K. government responsible for consumer credit legislation – the Department of Trade and Industry (the **DTI**) announced a Review of the CCA with the intention to introduce reforms.

As a result of this review, the DTI has announced a programme of reforms some of which will take effect through statutory instruments, others which will be made through implementation of the Consumer Credit Act 2006.

On 31 May 2005 new statutory instruments under the CCA came into force amending the rules on (a) advertising of consumer credit, (b) the prescribed contractual information to be provided to borrowers prior to concluding consumer credit agreements with them; (c) the requirements as to form and content of consumer credit agreements; and (d) the calculation of early settlement charges under consumer credit agreements. The amendments have some retrospective effect.

The amendments to the rules on calculation of early settlement charges have removed the use of the Rule of 78 calculation and replaced it with a different (actuarial) calculation for calculating rebates on the amounts that would otherwise be payable by consumers who settle a credit agreement early. This is likely to reduce the amount of the early repayment charge as compared to the calculation under the Rule of 78. These amendments will apply to all Loans originated on or after 31 May 2005. They will also apply to all Loans made before 31 May 2005, from 31 May 2007 for agreements with a term not exceeding 10 years and from 31 May 2010 for Loans with a term exceeding 10 years.

On 9 December 2004, the DTI laid before Parliament regulations further amending the CCA (i) in order to enable and facilitate the use of electronic communications for concluding regulated agreements (backed by signed hard copies) and when sending notices and other documents; and (ii) to ensure that all enforcement, default and termination notices are sent in paper format. Both sets of regulations came into force on 31 December 2004.

### ***Consumer Credit Act 2006***

The Consumer Credit Act 2006 amends many provisions of the Consumer Credit Act 1974. The CCA 2006 was enacted on 30 March 2006 and its provisions now have effect or will take effect between the date of this document and 1 October 2008. The CCA has been amended by *inter alia*:

- (i) a change to the definition of individual to include loans to partnerships consisting of two or three persons, not all of whom are bodies corporate.
- (ii) the removal of the financial limit from the CCA in respect of credit for non-business lending;
- (iii) the exemption from the CCA regime of high net worth debtors who meet certain criteria and who choose to exercise a voluntary opt out;

- (iv) the exemption from the CCA regime of credit agreements for an amount above the value of £25,000 where such credit agreement is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (v) the extension of the Financial Ombudsman Service to consumer credit licence holders, allowing consumers to challenge agreements without court proceedings;
- (vi) further criteria (applicable with some retroactive effect) to determine whether the relationship between debtors and creditors is unfair, which will include unfair practices and terms, and not just extortionate credit bargains;
- (vii) the strengthening of the powers of the OFT and the introduction of a Consumer Credit Appeals Tribunal to hear appeals from determinations of the OFT relating to licensing matters; and
- (viii) the introduction of discretionary unenforceability (rather than mandatory unenforceability) of consumer credit agreements which breach certain requirements of the CCA in order to allow courts to make a judgment that is proportionate to the detriment caused to the consumer (but only in respect of arrangements entered into after 6 April 2007).

The effect of these changes is that any Loan originated or changed such that a new contract is entered into will be regulated by the CCA unless (i) it is a Regulated Mortgage under the FSMA; or (ii) it is otherwise exempt under the CCA; or (iii) the Borrower is a corporate body; or (iv) the Loan is for more than £25,000 and is made to the Borrower for the purposes of their business.

The variation of credit agreements is regulated by section 82(2) CCA. Section 82 states that where an agreement (a "modifying agreement") varies or supplements an earlier agreement, the modifying agreement shall for the purposes of the CCA be treated as (a) revoking the earlier agreement and (b) creating a new combined agreement. Section 82 effectively operates to create a new CCA regulated agreement comprising the earlier agreement and the modifying agreement.

With the abolition of the £25,000 upper limit on 6 April 2008, previously unregulated agreements which are varied or supplemented could potentially fall within the scope of the CCA unless changes to the existing agreement are made unilaterally by one party. Of relevance, however, is the Consumer Credit Act 2006 (Commencement No.4 and Transitional Provisions) Order 2008 which provides that Loans entered into prior to 6 April 2008 will not be subject to CCA regulation, if the variation (e.g. an interest rate switch) does not relate to the advance of further credit or an appropriate exemption applies. Notwithstanding the points above, many lenders do not treat further advances on unregulated loans as comprising a separate agreement but instead treat the loan (having been made before 6 April 2008) and further advance as a unitary agreement which avoids CCA regulation and therefore obviates the need to rely on the order.

In regards to the £25,000 limit and Buy to Let Loans, prior to the removal of the £25,000 threshold, concerns were raised during consultation that contrary to the government's intention the business exemption under section 16(6C) would not apply to the many buy-to-let loans entered into for investment rather than a business purpose. In light of this concern, the Department for Business, Enterprise and Regulatory Reform (**BERR**) proposes to exempt agreements entered into for buy-to-let purposes, regardless of value, from CCA regulation. The BERR defines buy-to-let loans as being agreements secured on land where the borrower or a connected person occupies or intends to occupy less than 40% of the property as a dwelling. It is anticipated that the Legislative Reform Order 2008 and Consumer Credit (Form of Declaration) Order 2008 (referred to above) which are required to make the changes, will be implemented from 1 October 2008. In view of the disconnect between the removal of the financial limit in April and these orders coming into force, the BERR has implemented transitional arrangements within the 4th Commencement Order 2008 which temporarily disapplies the abolition of the £25,000 for buy-to-let loans. This is to ensure that the loans are not brought into CCA regulation during the intervening period. Consequential amendments are also being made to section 82 CCA to avoid bringing existing buy-to-let loans into regulation (which are currently exempt by virtue of being an advance in excess of £25,000) in the event that they are varied or supplemented.



### ***Loans Regulated by the Financial Services Authority under the Financial Services and Markets Act 2000***

Since 31 October 2004, a number of activities relating to Regulated Mortgages have become "regulated activities" under 22 of FSMA and the Order and these activities require authorisation from the FSA. These activities are: (a) entering into a Regulated Mortgage as lender; (b) administering a Regulated Mortgage (administering in this context includes notifying borrowers of certain events (such as changes in payments) and/or collecting payments due); (c) advising on Regulated Mortgages; (d) arranging Regulated Mortgages; and (e) agreeing to do any of the foregoing.

Each of Britannia, PFL, MAS5 and WMS have received confirmation from the FSA that it has permissions for the applicable activities listed above from 31 October 2004. A view has been taken that the Issuer does not require to be authorised since its activities are such that they either do not fall within the regulated activities as set out in the Order or they benefit from a specific exclusion in respect of those activities.

Authorisation by the FSA subjects each of Britannia, PFL, MAS5 and WMS to the full regulatory regime imposed by FSMA and the FSA. In particular, Britannia, PFL, MAS5 and WMS are required to have in place full systems and controls, to ensure that those carrying out controlled functions are approved by the FSA, to maintain prescribed prudential ratios, and its activities are subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to Regulated Mortgages are subject to mortgage conduct of business rules set out in the FSA Handbook (**MCOB**).

MCOB sets out detailed rules that apply to the origination of Regulated Mortgages. These rules contain requirements: (a) which place limitations on the types of inducements and commission which can be paid to introducers; (b) regulate all advertising and other financial promotions in relation to "qualifying credit promotions"; (c) to ensure the suitability of any advice provided; (d) on disclosure prior to and post conclusion of a Regulated Mortgage; (e) in relation to the format, layout and content of offer documentation; (f) to lend "responsibly" when entering into any Regulated Mortgage or Further Advance which includes an express obligation to consider the customer's ability to repay; (g) that all charges (including the interest rate, settlement fees and default charges) are not "excessive" by reference to market rates; and (h) in relation to dealings with borrowers in arrears or facing repossession. The provisions of MCOB are supplemented by the ECO sourcebook in respect of "information society services", such as web-based online information.

Failure to comply with the provisions of MCOB and/or ECO does not make Loans unenforceable. Regulated Mortgages are only unenforceable if the originator is not authorised or if they are originated following a regulated activity which is conducted by an unauthorised person in breach of the general prohibition, or as a result of a financial promotion which is not approved by an authorised person in breach of Section 21 of FSMA. Breach of MCOB and/or ECO could give rise to enforcement action by the FSA. Breaches of the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set off sums due under a Loan. Any such set off may adversely affect the Issuer's ability to make payment on the Notes.

Under the Meerbrook 3 Origination and Sale Agreement, PFL warranted that from and including 31 October 2004 it had been, and continued to be authorised by and held appropriate permissions from the FSA to conduct all regulated mortgage activities in respect of regulated mortgage contracts and that it had complied with the provisions of MCOB in respect of each Meerbrook 3 Mortgage. The benefit of this warranty will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement. Additionally, under the Meerbrook 3 Origination and Sale Agreement, Britannia guaranteed the obligations of a Relevant Purchaser to purchase any Meerbrook 3 Mortgage upon a breach of warranty given by PFL, and the benefit of this guarantee will be assigned to the Issuer under the Meerbrook 3 Mortgage Sale Agreement.

Under the PFL Mortgage Sale Agreement, in respect of any Mortgage entered into after 31 October 2004, PFL will warrant that it is authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the

obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by PFL under the PFL Mortgage Sale Agreement.

Under the MAS5 Mortgage Sale Agreement, in respect of any Mortgage entered into after 31 October 2004, MAS5 will warrant that it is authorised by and had permission from the FSA to enter into regulated mortgage contracts as a lender, and in relation to each Mortgage, that it is authorised by and had permission from the FSA for conducting all regulated activities carried on by it in respect of each Mortgage, and that it has complied with the provisions of MCOB. Britannia will provide a guarantee to the Issuer in respect of the obligations of a Relevant Purchaser to purchase any Mortgage upon a breach of warranty given by MAS5 under the MAS5 Mortgage Sale Agreement.

As a consequence, should a court or other competent authority determine that a Mortgage is unenforceable as a result of a lack of authorisation or where there has been an alleged breach of the provisions of the MCOB which is the subject of a complaint by a Borrower and such breach is likely to result in a judgment allowing a Borrower to set off sums due under a Loan, the Issuer will have the benefit of the relevant warranties and guarantees provided or assigned to it.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. We can give no assurance that the FSA will not change its rules or take a particular regulatory approach which may adversely affect the particular sector of Britannia, PFL, MAS5 or WMS in the mortgage market or specifically Britannia, PFL or WMS. Any such development may have a material adverse effect on the Issuer and/or the Administrators and/or the Sub-Administrator and their respective businesses and operations.

#### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999***

The Unfair Terms in Consumer Contracts Regulations 1994 and 1999 (the **Regulations**) apply to agreements made on or after 1 July 1995 and apply to standard form contracts entered into with individuals acting outside the scope of their trade, business or profession. The Regulations provide that (a) a consumer may challenge a term in an agreement on the basis that it is "unfair" within the Regulations and therefore not binding on the consumer and (b) the OFT, the FSA and any other "qualifying body" may seek to enjoin (or in Scotland, interdict) a business against relying on unfair terms although the rest of the agreement will remain valid, if it can survive without the relevant term.

This will not generally affect "core terms" which set out the main subject matter of the contract (for example, the Borrower's obligation to repay the principal) but may affect terms deemed to be ancillary terms, which may include interest variation provisions, the ability to choose a substitute for LIBOR where LIBOR cannot be determined under the Loan and other terms the application of which are in the lender's discretion (such as the ability to impose early repayment charges).

If a term of a Loan permitting the lender to vary the interest rate is found to be unfair, the Borrower will not be liable to pay 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. Any such non-recovery, claim or set-off may adversely affect the realisable value of the Loans in the Mortgage Pool and accordingly the ability of the Issuer to meet its obligations in respect of the Notes.

In February 2000, the OFT issued a guidance note (the **Guidance Note**) on what the OFT considers "fair" or "unfair" within the Regulations for interest variation terms. The Guidance Note accepts the principle of a term linking an interest rate to an external rate which is outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. All of the LIBOR-Linked Loans are made on terms that provide for the mortgage rate to be either at a fixed margin above LIBOR, a fixed rate for a specific period reverting to LIBOR, or at a discount to LIBOR.

for a specific period reverting to LIBOR, and explain when and how the tracking will take effect. It should be noted that the OFT Guidance Note is not legally binding.

The guidance note has been withdrawn from the OFT website, but may remain in effect as the OFT's view and as a factor that the FSA may take into account. Prior to regulation by the FSA of Regulated Mortgages, it agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements.

In May 2005, the FSA issued a non-binding statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope, including regulated mortgage contracts. The statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated clearly and unambiguously in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variations to be made only when any lock-in clause has not been exercised.

Most recently, in January 2007, the FSA has issued a statement of good practice as a follow-up to its May 2005 paper, more specifically on the fairness of mortgage exit administration fees (**MEAFs**). The statement indicates how lenders should draft or be able to vary MEAF clauses and how they should apply them in practice. The main focus of the statement is that the fairness of a MEAF should be linked to a reasonable estimate of the lender's costs for dealing with early redemption.

In August 2002, the Law Commission and the Scottish Law Commission issued a joint consultation on proposals (amongst other things) to consolidate the Unfair Contract Terms Act 1977 and the Regulations into a single piece of legislation written in plain language. A final report (together with a draft Bill) was issued on 24 February 2005. It was not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes were proposed, however, such as that: (i) 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 (ii) 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.

According to the Law Commission, if the results of a regulatory impact assessment prove favourable, the DTI will seek an opportunity to introduce the appropriate legislation necessary to implement the Law Commission's recommendations as soon as practicable.

No assurance can be given that changes to the Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have an adverse effect on the Loans, Britannia, PFL, WMS or the Issuer and their respective businesses and operations.

### ***Non-Statutory Guidelines***

Most mortgage lenders in the UK are members or associate members of the Council of Mortgage Lenders (CML). Britannia and PFL are full members of the CML. Prior to 1 November 2004 members of the CML agreed to abide by a voluntary code of good practice, the Mortgage Code, which set out a minimum standard of good mortgage business practices from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Compliance with the Mortgage Code was policed by the Independent Mortgage Code Compliance Board. Many of the requirements imposed by the FSA and MCOB as of 31 October 2004 were already obligations imposed under the Mortgage Code. The Mortgage Code

ceased to apply from 31 October 2004 and the Independent Mortgage Code Compliance Board has ceased its regulatory operations. However, MCOB includes transitional arrangements which apply in respect of firms which are now FSA authorised for mortgage activities regarding complaints about mortgages sold under the Mortgage Code, which arise after 31 October 2004.

#### *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 (**CPRs**). The CPRs commenced on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their business. Although the CPRs are not concerned solely with financial services, they do apply to the residential mortgage market.

Under the CPRs 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 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 CPRs 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.

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.

The effect (if any) of the CPRs on the Loans, Britannia, PFL, WMS or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the UPR. No assurance can be given that the CPRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

#### *Potential for Regulatory Changes*

In addition to the ongoing process of reform to the CCA set out above, the following developments may affect or lead to reform of the regulatory framework, legislation or rules applicable to mortgage lending.

#### *Consumer Credit Directive*

The Consumer Credit Directive (2008/48/EC) was adopted in May 2008. Once fully implemented in May 2010, it will regulate consumer credit agreements between EUR 200 - 75,000 between credit providers and consumers. Notably, however, the Directive excludes a number of credit agreements from regulation including credit agreements secured by a mortgage (whether first or second mortgage in, and including a standard security in Scotland) and credit agreements the purpose of which is to acquire or retain property rights in land. Whilst it is not presently anticipated that United Kingdom legislation implementing the Directive will regulate credit agreements excluded from regulation by the Directive, until the details of the implementing legislation are published, it is not certain what effect the implementation of the Directive would have on the Loans, Britannia, PFL, WMS or the Issuer and their respective businesses and operations. No assurance can be given that the implementing legislation will not adversely affect the ability of the Issuer to make payments to Noteholders.

In relation to a proposed directive covering mortgage regulation, the European Commission published reports of two expert groups in April 2006 in order to explore in detail the issues of mortgage funding and consumer protection. More recently, in 2008 the European Commission sought responses from Member States to a questionnaire regarding potential mortgage regulation. No draft mortgage directive has yet been published.

## WEIGHTED AVERAGE LIVES OF THE NOTES

The average life of the Notes cannot be predicted with any certainty, as the actual rate at which the Mortgages will be repaid and a number of other relevant factors are unknown.

Estimates of the possible average life of the Notes can be made by the Issuer based on certain assumptions. For example, the table below shows the expected average life of the Notes based on assumptions (the **Modelling Assumptions**) that:

- (a) the Issuer exercises its option to redeem all (but not some only) of the Notes then outstanding on the Interest Payment Date falling on the Step-Up Date;
- (b) the Mortgages are subject to a constant annual rate of prepayment (inclusive of scheduled and unscheduled principal redemptions) as shown in the table below;
- (c) the Issuer does not purchase any Further Advances;
- (d) the Non-Principal Amortisation Amount is zero;
- (e) the Liquidity Shortfall will be zero throughout the life of the Notes;
- (f) the Income Surplus, after taking into account the impact of all liabilities is greater than zero throughout the life of the Notes;
- (g) Retained Principal will be zero throughout the life of the Notes;
- (h) the mortgage balance is equal to the Principal Amount Outstanding of the Notes and the Tranche A Sub Loan Drawing, such that item "E" of Principal Received is zero;
- (i) Principal Recoveries are zero throughout the life of the Notes;
- (j) all Mortgages are performing and that there are no arrears, losses, or fees and charges added to the Mortgages;
- (k) interest on the Notes is paid on time and that the Security has not been enforced;
- (l) the Interest Payment Date is always 21 September, 21 December, 21 March and 21 June in each year;
- (m) the Closing Date will be 2 July 2008;
- (n) from the Closing Date all Mortgages will have exactly the same payment profile, life and duration; and
- (o) no Mortgage is repurchased by virtue of a buy back for breach of warranty.

### Average Life Sensitivities

Constant Prepayment Rate (per cent.) (inclusive of scheduled and unscheduled redemptions)	Average Life of Notes (Years)
5 .....	4.26
10 .....	3.62
15 .....	3.06
20 .....	2.56
25 .....	2.11
30 .....	1.73
35 .....	1.45

There is no assurance that redemption of the Notes will occur as described in assumption (a). The Issuer has no recourse to the Britannia Group in financing its option to redeem all (but not only some) of the Notes.

Assumption (b) above is stated as an average annualised prepayment rate since the prepayment rate (inclusive of scheduled and unscheduled redemptions) for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

The average lives of the Notes are subject to factors largely outside of the control of the Issuer and consequently no assurance can be given that the Modelling Assumptions used to calculate the average life of the Notes will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Any difference between the Modelling Assumptions and the actual performance and characteristics of the Mortgages will cause the average life of the Notes to differ (which difference can be material) from the corresponding information in the table.

The actual characteristics and performance of the Mortgages are likely to differ from the Modelling Assumptions used in constructing the table, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment assumptions (inclusive of scheduled and unscheduled principal receipts).

## DESCRIPTION OF THE NOTES IN GLOBAL FORM

### General

The Notes will initially be represented by a Regulation S Global Note (the **Regulation S Global Note**) without coupons for principal or interest or talons for further coupons attached.

The Regulation S Global Note will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as common nominee for Euroclear and Clearstream, Luxembourg and will be deposited with HSBC Bank plc as common depositary for Euroclear and Clearstream, Luxembourg on the Closing Date. Upon deposit of the Regulation S Global Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of the Notes with the principal amount of Notes for which it has subscribed and paid. Interests in the Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg. See further the section entitled "*Terms and Conditions of the Notes*" below.

Temporary documents of title will not be issued for the Regulation S Global Note.

### Euroclear and Clearstream, Luxembourg

Ownership of beneficial interests in the Regulation S Global Note will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (**Participants**) or persons that hold interests in the Regulation S Global Note 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. Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective amount of Notes beneficially owned by such participants on each of their respective book-entry registration and transfer systems. Beneficial interests in the Regulation S Global Note 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 their 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.

The registered holder of the Regulation S Global Note will be considered the sole Noteholder for all purposes under the Trust Deed. Accordingly, each person holding a beneficial interest in the Regulation S Global Note must rely on the rules and procedures of Euroclear and/or Clearstream, Luxembourg (the **Clearing Systems**), 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 Regulation S Global Note, to exercise any rights and obligations of a holder of Notes under the Trust Deed.

Although the Clearing Systems have agreed to certain procedures to facilitate transfers of beneficial interests in the Regulation S Global Note among account holders of the Clearing Systems, 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 Trustee, JPMCB, the Co-Arrangers or any of their respective agents will have any responsibility for the performance by the Clearing Systems or their participants or account holders of their respective obligations under the rules and procedures governing their operations.

References herein to Euroclear and/or Clearstream, Luxembourg or the Clearing Systems shall be deemed to include references to any other clearing system approved by the Trustee.

### Payments

Payment of principal of, and interest on, and any other amount due in respect of, the Regulation S Global Note, will be made in the relevant currency by the Principal Paying Agent on behalf of the Issuer to the registered holder thereof. It is anticipated that the Principal Paying Agent will distribute all such payments in the relevant currency for the account of the registered holder to the relevant Clearing System. All such



payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer 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 the relevant Clearing System, after receipt of any payment from the Principal Paying Agent the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of the Regulation S Global Note as shown in the records of Euroclear or Clearstream, Luxembourg. The Issuer expects that payments by participants to owners of beneficial interests in Regulation S Global Note 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, the Trustee, or any of their respective agents, 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 beneficial interests in the Regulation S Global Note or for maintaining, supervising or reviewing any records relating to a participant's ownership of Regulation S Global Note.

### **Notices**

For so long as any of the Notes are represented by a Regulation S Global Note and such Regulation S Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to the relevant Clearing System for communication to the relative accountholders rather than by publication as required by Condition 15. So long as the Notes are listed on the Official List, the Company Announcements Office of the London Stock Exchange must also be notified of such notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to the relevant Clearing System as aforesaid.

### **Redemption**

In the event that any Regulation S 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 Regulation S Global Note to the relevant Clearing System for the account of the relevant nominee, and the Principal Paying Agent shall cancel such Regulation S Global Note. The redemption price payable in connection with the redemption of Noteholder interests in a Regulation S Global Note will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Regulation S Global Note (or portion thereof) relating thereto. For any redemptions of a Regulation S Global Note in part, the relevant Noteholder interests relating thereto to be redeemed will be allocated by the relevant Clearing System, as the case may be, on a *pro rata* basis.

### **Cancellation**

Any Note represented by a Regulation S Global Note which is required to be cancelled following its redemption will be cancelled and may not be reissued or resold.

### **Transfers**

All transfers of beneficial interests in the Regulation S Global Note will be recorded in accordance with the book-entry systems maintained by the relevant Clearing System pursuant to customary procedures established by each respective system and its participants.

Beneficial interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg. The Regulation S Global Note will bear a legend substantially identical to that appearing under "*Notice to Investors*", and neither the Regulation S Global Note nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend and under "*Notice to Investors*" below.

### **Issuance of Notes in definitive form**

Holders of beneficial interests in the Regulation S Global Note will be entitled to receive Definitive Registered Notes in exchange for their respective holdings of beneficial interests if:

- (i) in the case of a Regulation S Global Note held on behalf of Euroclear or Clearstream, Luxembourg each of 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 or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or
- (ii) as a result of any amendment to, or change in the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation 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 form, in which case the Issuer will deliver in definitive and registered form, serially numbered, in the denomination of £100,000.

Any Definitive Registered Notes issued in exchange for beneficial interests in the Regulation S Global Note will be registered in a register in such name or names as the Principal Paying Agent shall instruct the Registrar based on the instructions of the relevant Clearing System. It is expected that such instructions will be based upon directions received by the relevant Clearing System from their participants with respect to ownership of the relevant beneficial interests in the Regulation S Global Note.

Definitive Registered Regulation S Notes will bear the legend set out in "*Notice to Investors*".

## NOTICE TO INVESTORS

### Offers and Sales by the Purchasers

The Notes may only be offered, sold, resold, delivered or transferred (i) outside the United States to a non-US person in an offshore transaction in reliance on Rule 903 or 904 of Regulation S or (ii) following the expiration of the distribution compliance period, pursuant to an applicable exemption from the registration requirements of the Securities Act and in accordance with any applicable securities law of any state of the United States.

By its purchase of the Notes, each purchaser of the Notes (each initial purchaser, together with each subsequent transferee are referred to herein as the **Purchaser**) will be deemed to have represented and agreed to the following (undefined terms used in this section that are defined in Regulation S are used herein as defined therein):

1. **Purchaser Requirements for Regulation S Notes.** If the Purchaser is acquiring the Regulation S Notes (or a beneficial interest in a Global Certificate) prior to the date that is 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**), the Purchaser is not a U.S. person and is acquiring the Regulation S Notes (or a beneficial interest in a Global Certificate) in an offshore transaction pursuant to Rule 903 or 904 of Regulation S. The Purchaser is not purchasing such Regulation S Notes (or a beneficial interest in a Global Certificate therein) with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. All transactions must be in principal amount of not less than £100,000.
2. **Notice of Transfer Restrictions.** Each Purchaser acknowledges and agrees that (A) the Notes have not been and will not be registered under the Securities Act, (B) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth herein, and (C) it will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.
4. **Amendments.** Each Purchaser acknowledges that the Notes and related documentation may be amended or supplemented from time to time to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resales or transfer of securities such as the Notes generally, and that it will be deemed, by its acceptance of such Notes, to have agreed to any such amendment or supplement.
5. **Acknowledgements, Representations and Agreements.** Each Purchaser understands that these acknowledgements, representations and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Co-Arrangers and the Trustee, and any affiliate of the foregoing from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of the Purchaser's failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein. Each Purchaser acknowledges that the Issuer, Registrar, the Trustee, the Co-Arrangers, and any affiliates of the foregoing will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. Each Purchaser agrees that it will promptly (i) inform the Issuer if, during any time it holds a Note, there shall be any change in the acknowledgements, representations and agreements contained above or if they shall become false for any reason and (ii) deliver to the Issuer such other representations and agreements as to such matters as the Issuer may, in the future, request in order to comply with applicable law and the availability of any exemption therefrom.
6. **Disclosure of Participants' Identities.** Each Purchaser understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and that

those participants may further disclose to the Issuer the names and positions of holders of its securities.

7. **Legend on Regulation S Global Note and Definitive Registered Regulation S Notes.** Each Purchaser understands that (i) the sale of the Regulation S Notes (or a beneficial interest therein) to it is being made in reliance on Regulation S, and (ii) the Regulation S Notes (or a beneficial interest therein) may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

THIS NOTE HAS NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND, AS A MATTER OF U.S. LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING OF THE OFFERING THE REGULATION S NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S, AND IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND IN PRINCIPAL AMOUNT OF NOT LESS THAN £100,000.

THE PURCHASER IS HEREBY NOTIFIED THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES, AND THAT THOSE PARTICIPANTS MAY FURTHER DISCLOSE TO THE ISSUER THE NAMES AND POSITIONS OF HOLDERS OF ITS SECURITIES.

PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, AN INTEREST IN THIS NOTE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM, LUXEMBOURG.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes, substantially as they will appear in the Trust Deed, subject to completion and amendment, and as they will apply to the Notes in global form (subject as provided in the section entitled "Description of the Notes in Global Form") and the Notes in definitive form (if any) issued in exchange for the Regulation S Global Note(s) and which will be endorsed on such Notes in definitive form, as applicable. These terms and conditions are subject to the detailed provisions of the Trust Deed, the Deed of Charge and the other Transaction Documents (as defined below).*

The £1,489,000,000 Mortgage Backed Floating Rate Notes of Leek Finance Number Twenty PLC (the **Issuer**) will comprise the £1,489,000,000 Mortgage Backed Floating Rate Notes due 2039 (the **Notes**).

The Notes are issued subject to the provisions of and have the benefit of a trust deed (as amended or supplemented from time to time, the **Trust Deed**) dated on or about the Closing Date between the Issuer and Capita Trust Company Limited as trustee (the **Trustee**, which expression shall include all persons for the time being acting as trustee or trustees appointed pursuant to the Trust Deed) for the holders for the time being of the Notes and are subject to an agency agreement (as amended or supplemented from time to time, the **Paying Agency Agreement**) dated on or about the Closing Date between the Issuer, HSBC Bank plc (as **Principal Paying Agent, Transfer Agent, Registrar and Agent Bank**), and the Trustee. The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (as amended or supplemented from time to time, the **Deed of Charge**) dated on or about the Closing Date between, *inter alia*, the Issuer and the Trustee.

Copies of the Trust Deed, the Paying Agency Agreement, the Deed of Charge, the Master Framework Agreement and the other Transaction Documents (as defined below) are available for inspection by the Noteholders upon reasonable notice during normal business hours at: (a) the principal office for the time being of the Trustee, being at the date hereof, Phoenix House, 18 King William Street, London EC4N 7HE; (b) at the Specified Office (as set out in Condition 18 ("*Specified Offices of Agents*")) for the time being of the Principal Paying Agent and (c) at the registered office of the Issuer.

The statements in these terms and conditions relating to the Notes (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Paying Agency Agreement and the other Transaction Documents (as they may be amended from time to time) the provisions of which the Noteholders have the benefit of and are bound by.

The issue of the Notes was authorised by resolution of the Board of Directors of the Issuer passed on 23 June 2008.

### 1. Definitions

In these Conditions:

**"3 Month Sterling LIBOR"** has the meaning given to it in Condition 5(c)(ii), ("*Interest – Rate of Interest*");

**"Account"** means any of the Collection Accounts, the Sundries Accounts or the GIC Accounts;

**"Actual Principal Losses"** means, at any time and in relation to any Mortgage, the principal amount of such Mortgage which is not recovered from the proceeds following the sale of the property to which such Mortgage relates or, if later, upon completion of all relevant enforcement procedures;

**"Actual Redemption Funds"** means:

- (i) prior to delivery of an Enforcement Notice, Applied Principal less Retained Principal; and
- (ii) following delivery of an Enforcement Notice, Applied Principal;

**"Administration Agreement"** means an administration agreement dated on or about the Closing Date between the Issuer, the Trustee, MAS5, PFL and Britannia;

**"Administrators"** means the Principal Administrator and the MAS5 Administrator in their capacities as administrators of the Mortgages under the Administration Agreement or any successor administrator appointed in accordance with the Administration Agreement;

**"Applied Income"** means, in relation to any Calculation Date, Income Received less Income Retained plus Liquidity Shortfall plus Principal Recoveries;

**"Applied Principal"** means, in relation to any Calculation Date, Principal Received plus Income Retained less Liquidity Shortfall less Principal Recoveries plus the Rounding Balance retained on the preceding Interest Payment Date, if any;

**"Basic Terms Modification"** has the meaning given thereto in Condition 12(b) ("*Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor – Quorum*");

**"Basis Swap Counterparty"** means JPMCB or any successor basis swap counterparty or counterparties from time to time under the Basis Swap Transactions;

**"Basis Swap Transactions"** means the basis swap transactions dated on or about the Closing Date between the Issuer and the Basis Swap Counterparty;

**"Borrower"** means, in relation to a Loan, the person named as such in the relevant Mortgage Conditions and to whom such loan is advanced together with any person from time to time assuming the obligations of the borrower to repay such loan or any part of it;

**"Britannia"** means Britannia Building Society;

**"Britannia GIC Account"** means a Sterling denominated account in the name of the Issuer held at Britannia, for the deposit of amounts made pursuant to the Britannia GIC Agreement;

**"Britannia GIC Agreement"** means a guaranteed investment contract dated on or about the Closing Date to be entered into between, *inter alia*, the Issuer and Britannia;

**"Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

**"Calculation Date"** means, in relation to any Interest Payment Date, the last day of the calendar month preceding that Interest Payment Date;

**"Cash Manager"** means PFL in its capacity as cash manager under the Administration Agreement;

**"Charged Property"** means all the property of the Issuer which is subject to the Security;

**"Closing Date"** means 2 July 2008;

**"Collection Accounts"** means the following collection accounts:

- (a) account number 36059110 - Leek 20A collection account;
- (b) account number 36068381 - Leek 20B and 20C collection account; and
- (c) account number 36079669 - Leek 20D and 20E collection account;

each with sort code 01-05-02 at National Westminster Bank Plc;

**"Collection Period"** means the period commencing on (but excluding) a Calculation Date and ending on (and including) the next Calculation Date, provided that the first Collection Period shall commence on (but exclude) 28 May 2008 and end on (and include) the first Calculation Date;

**"Discount Reserve"** means the discount reserve fund established on the Closing Date by the Issuer by crediting the Discount Reserve Amount to the Britannia GIC Account;

**"Discount Reserve Amortisation Schedule"** means, in respect of the Interest Payment Dates falling in September and December 2008, March, June, September and December 2009, March, June, September and December 2010, the relevant specified amount as follows:

- (a) the Interest Payment Date falling in September 2008, an amount of £7,700,000;
- (b) the Interest Payment Date falling in December 2008, an amount of £7,100,000;
- (c) the Interest Payment Date falling in March 2009, an amount of £6,600,000;
- (d) the Interest Payment Date falling in June 2009, an amount of £5,800,000;
- (e) the Interest Payment Date falling in September 2009, an amount of £4,500,000;
- (f) the Interest Payment Date falling in December 2009, an amount of £3,700,000;
- (g) the Interest Payment Date falling in March 2010, an amount of £2,800,000;
- (h) the Interest Payment Date falling in June 2010, an amount of £2,500,000;
- (i) the Interest Payment Date falling in September 2010, an amount of £2,100,000; and
- (j) the Interest Payment Date falling in December 2010, an amount of £1,500,000.

**"Discount Reserve Amount"** means £44,300,000;

**"Discount Reserve Loan Agreement"** means a discount reserve loan agreement dated on or about the Closing Date between the Issuer, the Discount Reserve Loan Provider, PFL (in its capacity as Cash Manager) and the Trustee;

**"Discount Reserve Loan Provider"** means Britannia;

**"Discounted Mortgages"** means any discounted LIBOR-linked Mortgages (a **Discount LIBOR-Linked Mortgage Loan**) and discounted bank base rate-linked Mortgages (a **Discount BBR-Linked Mortgage Loan**) that form part of the Portfolio from time to time.

**"Enforcement Notice"** has the meaning given thereto in Condition 10(a), (*"Events of Default"*);

**"EU Insolvency Regulation"** means the European Regulation on Insolvency Proceedings;

**"Event of Default"** has the meaning given thereto in Condition 10(a), (*"Events of Default"*);

**"Exchange Date"** means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located;

**"Expenses Loan"** means a loan in Sterling granted to the Issuer by the Expenses Loan Provider on or about the Closing Date pursuant to the Expenses Loan Agreement;

**"Expenses Loan Agreement"** means an expenses loan agreement dated on or about the Closing Date between the Issuer, the Trustee and the Expenses Loan Provider;

**"Expenses Loan Condition"** is true if, on the immediately preceding Calculation Date, the aggregate principal balance of Loans which are greater than three months in arrear expressed as a percentage of the aggregate principal balance of the Loans exceeds 15 per cent.;

**"Expenses Loan Provider"** means Britannia or any successor expenses loan provider pursuant to the terms of the Expenses Loan Agreement;

**"Extraordinary Resolution"** means a resolution passed at a meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than 75 per cent. of the votes cast;

**"Final Pre-Enforcement Interest Priority of Payments"** has the meaning given thereto in Condition 3(g), (*"Status, Ranking and Security – Priority of Payments Prior to Enforcement – Pre-Enforcement Interest Priority of Payments on the Final Repayment Date"*);

**"Final Repayment Date"** means the earlier of (a) the date on which all (but not part only) of the Notes are redeemed in full; and (b) the date on which the Mortgage assets securing the Notes have been redeemed, liquidated, distributed or otherwise disposed of in full and the proceeds thereof are available to be distributed in full, in accordance with the terms of the Transaction Documents;

**"Fitch"** means Fitch Ratings Ltd.;

**"Further Advances"** means any discretionary further advances (including any Retentions) made by MAS5 or PFL (as applicable) to Borrowers and purchased by the Issuer which are secured on the relevant property but excluding amounts debited to a Borrower's account in respect of third party expenses incurred in connection with its Mortgage;

**"GIC Account Banks"** means together, Britannia and RBS, each a **GIC Account Bank**;

**"GIC Accounts"** means the Britannia GIC Account and the RBS GIC Account;

**"GIC Agreements"** means the Britannia GIC Agreement and the RBS GIC Agreement;

**"GIC Guarantee"** means the guarantee given pursuant to an agreement dated on or about the Closing Date between, *inter alia*, the Issuer, Britannia, RBS and the Trustee;

**"GIC Guarantor"** means RBS or any successor GIC guarantor(s) from time to time appointed under the GIC Guarantee;

**"GIC Minimum Rating"** means A-1+ by S&P, P-1 by Moody's and F1+ by Fitch, or such other ratings as would maintain the current ratings of the Notes;

**"GMAC-RFC"** means GMAC-RFC Ltd.;

**"Holdings"** means Leek Finance Holdings Number Twenty Limited;

**"Income Received"** means, in relation to any Calculation Date, the amount received in respect of the Mortgages and otherwise during the Collection Period ending on that Calculation Date which is determined by PFL (in its capacity as Cash Manager) in accordance with the Administration Agreement to be of an income nature and includes interest amounts accrued but not yet paid pursuant to the GIC Agreements, the Required Amount, the specified amount to be received from the Discount Reserve in accordance with the Discount Reserve Amortisation Schedule and applied on the immediately following Interest Payment Date (but excluding, for the avoidance of doubt, any other specified amounts set out in the Discount Reserve Amortisation Schedule to be applied on any other Interest Payment Date), the amount, if any, retained by the Issuer in the Britannia GIC Account on the previous Interest Payment Date in accordance with item (xvi) of the Pre-Enforcement Interest Priority of Payments and amounts received or to be received on or prior to the next Interest Payment Date under the Swap Agreements (excluding amounts paid as collateral in respect of the Swap Agreements (and any income thereon)) and, in respect of the calculation of the amount of Income Received on the first Calculation Date only, the amount attributable to the Initial Expenses Amount standing to the credit of the Britannia GIC Account and the Required Amount, as reduced by the amounts calculated in accordance with items B and C in the definition of Principal Received;

**"Income Retained"** means, in relation to any Calculation Date, the greater of (i) zero and (ii) the lesser of Income Surplus and Uncovered Shortfall as at such date;

**"Income Surplus"** means, in relation to any Calculation Date, the greater of (i) zero and (ii)  $A - B - C$  where:



- A is equal to Income Received;
- B is equal to Senior Expenses;
- C when the Principal Amount Outstanding of the Notes is greater than zero and if the relevant Interest Payment Date is not the Final Repayment Date, the Required Amount.

**"Initial Expenses Amount"** means the fees, costs and expenses incurred by the Issuer in connection with each of the series of transactions contemplated by the Transaction Documents up to and on the Closing Date;

**"Insolvency Official"** means, in respect of any company, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, nominee, supervisor, trustee in bankruptcy, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors;

**"Insolvency Proceedings"** means the winding-up, dissolution or administration (whether by court action or otherwise) of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration (whether by court action or otherwise), arrangement, adjustment, protection or relief of debtors;

**"Interest Amount"** has the meaning given thereto in Condition 5(d), (*"Interest – Determination of Rates of Interest and Calculation of Interest Amounts"*);

**"Interest Determination Date"** has the meaning given thereto in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Interest Payment Date"** has the meaning given thereto in Condition 5(b), (*"Interest – Interest Payment Dates and Interest Periods"*);

**"Interest Period"** means each period from (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date and in relation to the first Interest Period from (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date;

**"Interest Rate Swap Counterparty"** means RBS or any successor interest rate swap counterparty from time to time;

**"Interest Rate Swap Transactions"** means the series of swap transactions to be novated to the Issuer on or about the Closing Date and Interest Rate Swap Transaction means any one of them;

**"JPMCB"** means JPMorgan Chase Bank, National Association;

**"JPMorgan"** means J.P. Morgan Securities Ltd.;

**"LIBOR"** means London Interbank Offered Rate;

**"Liquidity Shortfall"** means in relation to any Calculation Date the lesser of:

- (a) Principal Received; and
- (b) the greater of:
  - (i) zero; and
  - (ii)  $[A + B - C]$  where:
    - A is equal to the Senior Expenses;
    - B when the Principal Amount Outstanding of the Notes is greater than zero and if the relevant Interest Payment Date is not the Final Repayment Date, the Required Amount;

C is equal to Income Received;

**"Loan"** means, in relation to each Mortgage, the aggregate Sterling advances made by the relevant originator to the relevant Borrower by way of loan and from time to time outstanding;

**"Loan Principal Received"** means, in relation to any Calculation Date and any Mortgage, the amount received in respect of that Mortgage during the preceding Collection Period which is determined by PFL (in its capacity as Cash Manager) in accordance with the Administration Agreement to be of a principal nature;

**"London Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business (including dealings in foreign exchange and foreign currency deposits) in the City of London;

**"London Stock Exchange"** means the London Stock Exchange plc;

**"Master Framework Agreement"** means the master framework agreement dated on or about the Closing Date between the Issuer and the Trustee;

**"MAS5"** means Mortgage Agency Services Number Five Limited;

**"MAS5 Declaration of Trust"** means the declaration of trust declared by MAS5 in favour of, *inter alios*, the Issuer and the Trustee over the Collection Account and the Sundries Accounts which relate to the MAS5 Mortgages;

**"MAS5 Administrator"** means MAS5 in its capacity as administrator of MAS5 Mortgages under the Administration Agreement or any successor administrator appointed in accordance with the Administration Agreement;

**"MAS5-GMAC-RFC Mortgage Sale Agreements"** means the mortgage sale agreements between, *inter alios*, GMAC-RFC and MAS5 dated 8 June 2007 and 29 June 2007;

**"MAS5 Mortgages"** means the mortgages purchased by MAS5 from GMAC-RFC pursuant to the MAS5-GMAC-RFC Mortgage Sale Agreement and subsequently purchased by the Issuer from MAS5 pursuant to the MAS5 Mortgage Sale Agreement;

**"MAS5 Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by the Issuer, MAS5, Britannia and the Trustee;

**"MAS5 Power of Attorney"** has the meaning given to it in the MAS5 Mortgage Sale Agreement;

**"Maturity Date"** has the meaning given to it in Condition 6(a), ("*Final Redemption*");

**"Meerbrook 3"** means Meerbrook Finance Number Three Limited;

**"Meerbrook 3 Mortgages"** means the mortgages, the beneficial title to which was purchased by Meerbrook 3 from PFL pursuant to the Meerbrook 3 Origination and Sale Agreement;

**"Meerbrook 3 Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by, *inter alios*, the Issuer, Meerbrook 3, Britannia, PFL and the Trustee;

**"Meerbrook 3 Origination and Sale Agreement"** means the origination and sale agreement entered into, on 24 November 2006, by, *inter alios*, the Issuer, Meerbrook 3, Britannia, PFL and the Trustee;

**"Meeting"** means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

**"Moody's"** means Moody's Investors Service Ltd;

**"Mortgage Conditions"** means, in respect of a Loan, the terms and conditions regulating it;

**"Mortgage Pool"** means the portfolio of Mortgages;

**"Mortgage Sale Agreements"** means the Meerbrook 3 Mortgage Sale Agreement, the MAS5 Mortgage Sale Agreement and the PFL Mortgage Sale Agreement;

**"Mortgages"** means the mortgages purchased by the Issuer from PFL pursuant to the PFL Mortgage Sale Agreement, the mortgages purchased by the Issuer from MAS5 pursuant to the MAS5 Mortgage Sale Agreement and the mortgages purchased by the Issuer from Meerbrook 3 pursuant to the Meerbrook 3 Mortgage Sale Agreement, and a **"Mortgage"** means, in relation to each Loan, the first charge by way of legal mortgage in England and Wales or the first legal charge or mortgage in Northern Ireland or the first ranking Standard Security in Scotland over the relevant Property securing such Loan;

**"Non-Principal Amortisation Amount"** means, as at a Calculation Date, £9,305,275.01 (being, the amount equal to the current balances plus accrued interest less the principal balances of the Loans as at 28 May 2008), applied *pro rata* in relation to the number of days in each Calculation Period ending on each such Calculation Date, on the first 5 Calculation Dates from the Closing Date and, to the extent not applied in such period, then applied on each succeeding Calculation Date until applied in full, and thereafter, zero;

**"Note Principal Payment"** has the meaning given thereto in Condition 6(c), (*"Redemption, Purchase and Cancellation – Note Principal Payments, Principal Amount Outstanding and Pool Factor"*);

**"Noteholders"** means the holders from time to time of the Notes;

**"Notes Issuance Agreement"** means the notes issuance agreement between the Issuer, the Co-Arrangers, the Notes Purchaser and Britannia dated 30 June 2008;

**"Notional Provisions"** means, in relation to any Calculation Date, the aggregate amount of provisions (if any) which the relevant Administrator determines in accordance with the Administration Agreement should be made in relation to the relevant Mortgages;

**"Official List"** means the official list as defined in Section 74 of the Financial Services and Markets Act 2000;

**"Participating Member State"** means at any time any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with the Treaty;

**"Paying Agents"** means the Principal Paying Agent together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Paying Agency Agreement and **"Paying Agent"** means any one of them;

**"Payment Priorities"** means the Pre-Enforcement Payment Priorities and the Post-Enforcement Priority of Payments;

**"PFL"** means Platform Funding Limited;

**"PFL Declaration of Trust"** means the declaration of trust declared by PFL in favour of the Issuer and the Trustee over the Collection Accounts and the Sundries Accounts which relate to the Mortgages;

**"PFL Mortgage Sale Agreement"** means the mortgage sale agreement entered into, on or about the Closing Date, by the Issuer, PFL, Britannia and the Trustee;

**"Post-Enforcement Call Option"** means the option granted to Holdings by the Trustee on or about the Closing Date to acquire all (but not some only) of the Notes pursuant to the terms of the Post-Enforcement Call Option Deed;

**"Post-Enforcement Call Option Deed"** means the deed between the Trustee and Holdings dated on or about the Closing Date in relation to the Post-Enforcement Call Option;

**"Post-Enforcement Priority of Payments"** has the meaning given to it in Condition 3(i), (*"Priority of Payments Following Enforcement"*);

**"Pre-Enforcement Interest Priority of Payments"** means, in relation to the Final Repayment Date, the Final Pre-Enforcement Interest Priority of Payments and, in relation to all other Interest Payment Dates, the Regular Pre-Enforcement Interest Priority of Payments;

**"Pre-Enforcement Payment Priorities"** means the Regular Pre-Enforcement Interest Priority of Payments, the Final Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal Priority of Payments;

**"Pre-Enforcement Principal Priority of Payments"** has the meaning given to it in Condition 6(b), (*"Redemption, Purchase and Cancellation – Mandatory Redemption in Part"*)

**"Principal Administrator"** means PFL in its capacity as principal administrator of the Mortgages other than the MAS5 Mortgages under the Administration Agreement or any successor principal administrator appointed in accordance with the Administration Agreement;

**"Principal Amount Outstanding"** means, on any date in relation to a Note, the principal amount outstanding of that Note as at the Closing Date less the aggregate of all Note Principal Payments that have become due and payable in respect of that Note (whether or not paid) on or prior to that date provided that, for the purposes of Condition 5, (*"Interest"*), Condition 6, (*"Redemption, Purchase and Cancellation"*) and Condition 10 (*"Events of Default"*), all Note Principal Payments that have become due and not been paid shall not be so deducted;

**"Principal Received"** means, in relation to the Mortgages and as at a Calculation Date, the amount (subject to cash available) determined by PFL (in its capacity as Cash Manager) to be equal to:

$$A + B + C + D + E$$

where:

- A is the aggregate amount of Loan Principal Received as at such Calculation Date;
- B is the Liquidity Shortfall satisfied from Principal Received on the preceding Calculation Date and any Liquidity Shortfall for any Calculation Date (the **Relevant Calculation Date**) before the preceding Calculation Date to the extent that (a) such Liquidity Shortfall was taken into account as reducing Principal Received on the relevant Calculation Date (the amount of the said reduction being X) and (b) compensating amounts of income (equal in aggregate to X) have not been treated as Principal Received on Calculation Dates subsequent to the relevant Calculation Date;
- C is the Non-Principal Amortisation Amount (if any) as at such Calculation Date;
- D is any Principal Received on the preceding Calculation Date that has not been paid away subsequently, including any amount set aside as Retained Principal; and
- E in the case of the first Calculation Date after the Closing Date only, is an amount equal to the aggregate amount by which the gross proceeds of the Notes and the Tranche A Sub Loan Drawing exceed the aggregate amount of the initial purchase prices paid by the Issuer to PFL, MAS5 and Meerbrook 3 for the Mortgages;

**"Principal Recoveries"** means, in relation to any Calculation Date, the greater of (i) zero and (ii)  $A - B - C$  where:

- A is the sum of the aggregate of all amounts of Income Retained on all preceding Calculation Dates (or, if none, zero);
- B is the sum of Principal Recoveries on all preceding Calculation Dates (or, if none, zero); and
- C is the Principal Shortfall as at such Calculation Date;

**"Principal Shortfall"** means in relation to any Calculation Date, the aggregate of Actual Principal Losses which have arisen up to and including such Calculation Date and the amount of the Notional Provisions in relation to such Calculation Date provided that the said amount of Notional Provisions shall be included in

the Principal Shortfall only if and to the extent that, following such inclusion, the Reserve Fund Condition will be satisfied on the related Interest Payment Date;

**"Provisions for Meetings of Noteholders"** means the provisions contained in Schedule 3 to the Trust Deed;

**"Rate of Interest"** has the meaning given thereto in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Rating Agencies"** means Fitch, Moody's and S&P;

**"Ratings Test"** means confirmation from Fitch and S&P (with notification being made to, as well as an acknowledgement of receipt of such notification having been received from, Moody's) that, in respect of any event or matter where such confirmation is required, the then current ratings of the Notes will not be adversely affected to the extent of being downgraded, qualified or withdrawn by the relevant event or matter;

**"RBS"** means The Royal Bank of Scotland plc;

**"RBS GIC Account"** means a Sterling denominated account in the name of the Issuer which will be held at RBS, for the deposit of amounts made pursuant to the RBS GIC Agreement;

**"RBS GIC Agreement"** means a guaranteed investment contract dated on or about the Closing Date to be entered into between the Issuer, the Trustee and RBS;

**"Receiver"** means any person (being a licensed insolvency practitioner), who is appointed by the Trustee to be a receiver of the Charged Property to act jointly, or jointly and severally, as the Trustee shall determine;

**"Record Date"** means the seventh Business Day before the due date for the relevant payment;

**"Reference Banks"** means RBS, Lloyds TSB Bank Plc, Barclays Bank PLC and HSBC Bank PLC or such other four major banks in the London interbank market as may be approved by the Trustee from time to time;

**"Register"** means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar;

**"Registrar"** means the party responsible for the registration of the Notes, which at the Closing Date is HSBC Bank plc;

**"Regular Pre-Enforcement Interest Priority of Payments"** has the meaning given thereto in Condition 3(f), (*"Status, Ranking and Security – Priority of Payments Prior to Enforcement – Pre-Enforcement Income Receipts"*);

**"Relevant Date"** means, in respect of any payment in relation to the Notes, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 15, (*"Notices"*);

**"Relevant Expenses"** means the Senior Expenses and, when the Principal Amount Outstanding of the Notes is greater than zero and if the relevant Interest Payment Date is not the Final Repayment Date, the Required Amount;

**"Relevant GIC Account"** means the GIC Account into which the Cash Manager is obliged, pursuant to the Administration Agreement, to deposit cash amounts received by the Issuer;

**"Relevant Margin"** has the meaning given thereto in Condition 5(c), (*"Interest – Rate of Interest"*);

**"Required Amount"** means an amount funded by the Tranche B Sub Loan Drawing equal to 5.00 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes and the Tranche A Sub Loan Drawing, in each case on the Closing Date;

**"Reserve Fund Condition"** means, with respect to an Interest Payment Date that, following the application of Applied Income on such Interest Payment Date, the credit balance on the Relevant GIC Account is equal to the Required Amount;

**"Retained Principal"** means, in relation to any Calculation Date, the sum of (i) the Rounding Balance; and (ii) such amount up to 10.0 per cent. of the aggregate outstanding balance of the Mortgages as at the Closing Date as PFL (in its capacity as Cash Manager) determines on such Calculation Date should be retained for the purpose of purchasing Further Advances and Retentions;

**"Retentions"** means an amount or amounts to be advanced but retained as at the relevant cut-off date pending satisfaction of certain conditions (as described in the relevant letter of offer);

**"Rounding Balance"** has the meaning given to it in Condition 6(b), (*"Mandatory Redemption in Part"*);

**"S&P"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.;

**"Scottish Declaration of Trust"** means the declaration of trust in respect of the Scottish Loans and their related security made by PFL in favour of the Issuer on the Closing Date in relation to the Scottish Mortgages pursuant to the PFL Mortgage Sale Agreement;

**"Scottish Loan"** means a Loan secured by a Scottish Mortgage;

**"Scottish Mortgages"** means the Mortgages secured by way of standard security over residential properties located in Scotland;

**"Secured Creditors"** means the Noteholders, the Trustee, MAS5, Meerbrook 3, PFL, any Receiver, the Paying Agents, the Agent Bank, the Transfer Agent, the Administrators, the Discount Reserve Loan Provider, the Expenses Loan Provider, the Subordinated Loan Provider and any Swap Counterparty;

**"Secured Obligations"** means

- (a) all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer:
  - (i) to the order of the Trustee and/or any Receiver under the Deed of Charge, the Trust Deed or the Conditions at the times and in the manner provided herein or therein;
  - (ii) under or in respect of the Notes; and
  - (iii) to the Trustee on any account whatsoever, whether as principal or surety and whether or not directly with another; and
- (b) all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer to each of the other Secured Creditors in accordance respectively with each of the other Transaction Documents;

**"Security"** means all assets, rights and amounts secured pursuant to the Deed of Charge;

**"Senior Expenses"** means, in relation to any Calculation Date, the amount determined by PFL (in its capacity as Cash Manager) to be owing in respect of items (i) to (vi) (inclusive) of the Pre-Enforcement Interest Priority of Payments on the next following Interest Payment Date;

**"Standard Security"** means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

**"Step-Up Date"** means the Interest Payment Date falling in June 2013;

**"Sterling"** or **"£"** denote the lawful currency of the United Kingdom;

**"Sterling LIBOR Screen Rate"** has the meaning given thereto in Condition 5(c)(ii), (*"Interest – Rate of Interest"*);

**"Subordinated Loan"** means the Sterling subordinated loan facility to be made available to the Issuer by the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement;

**"Subordinated Loan Agreement"** means the subordinated loan agreement to be dated on or about the Closing Date between the Issuer, the Subordinated Loan Provider and the Trustee;

**"Subordinated Loan Provider"** means Britannia;

**"Sundries Accounts"** means the following sundries accounts:

- (a) account number 36059137 - Leek 20A sundries account;
- (b) account number 36068373- Leek 20B and 20C sundries account; and
- (c) account number 36079642 - Leek 20D and 20E sundries account;

each with sort code 01-05-02 at National Westminster Bank Plc;

**"Swap Agreements"** means the ISDA master agreement, schedule, credit support annex and confirmations (as amended and supplemented from time to time) in respect of, together, the Basis Swap Transactions and the Interest Rate Swap Transactions or any replacement thereof;

**"Swap Counterparty"** means the Basis Swap Counterparty and the Interest Rate Swap Counterparty, or any of them as the context may require;

**"Tranche A Sub Loan Drawing"** means £395,808,374.14;

**"Tranche B Sub Loan Drawing"** means the tranche drawn under the Subordinated Loan Agreement equal to 5.00 per cent. of the sum of the aggregate Principal Amount Outstanding of the Notes and the Tranche A Sub Loan Drawing, in each case, at the Closing Date;

**"Transaction Documents"** means the Mortgage Sale Agreements, the Scottish Declaration of Trust, the Paying Agency Agreement, the Administration Agreement, the Deed of Charge, the Notes, the Trust Deed, the Notes Issuance Agreement, the Britannia GIC Agreement, the Declaration of Trust, the RBS GIC Agreement, the GIC Guarantee, the Master Framework Agreement, the Subordinated Loan Agreement, the Expenses Loan Agreement, the Discount Reserve Loan Agreement, the Basis Swap Transactions, the Interest Rate Swap Transactions, the Post-Enforcement Call Option Deed and the Deferred Consideration Agreement;

**"Transfer Agent"** means HSBC Bank plc together with any successor transfer agents appointed from time to time in connection with the Notes under the Paying Agency Agreement;

**"Treaty"** means the Treaty establishing the European Communities as amended by the Treaty on European Union;

**"Trust Documents"** means the Trust Deed and the Deed of Charge and any deed or document expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

**"Trustee"** means Capita Trust Company Limited;

**"UK Listing Authority"** means the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

**"Uncovered Shortfall"** means, in relation to any Calculation Date, the greater of (i) zero and (ii) the Principal Shortfall less the aggregate of all amounts (if any) of Income Retained on all preceding Calculation Dates;

**"VAT"** means value added tax provided for in the Value Added Tax Act 1994 and other United Kingdom primary legislation relating to value added tax and/or any regulations enacted thereunder (**Existing UK VAT**) and any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to existing UK VAT) or elsewhere; and

**"Written Resolution"** means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

## **2. Form, Denomination and Title**

### *(a) Form and Denomination*

The Notes are in fully registered form and serially numbered in the denomination of £100,000 each for the Notes. Notes in registered form are issued without coupons attached. The expression **Notes** means and includes co-ownership under a permanent global note and the expression **Noteholder** shall mean and include any person entitled to co-ownership and further benefit under a permanent global note.

The Principal Amount Outstanding of the Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**) is represented by one or more global notes in fully registered form (the **Regulation S Global Note**) without coupons attached.

### *(b) Definitive Registered Notes*

Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Regulation S Global Note (the **Definitive Registered Notes**) will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Registered Notes, if issued, will be issued in the denomination of £100,000 each for the Notes.

If, while any Notes are represented by a Regulation S Global Note, (i) in the case of a Regulation S Global Note held in Euroclear or Clearstream, Luxembourg, Euroclear or 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 or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee, the Issuer will issue Definitive Registered Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Regulation S Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Regulation S Global Note will not be exchangeable for Definitive Registered Notes in any other circumstances.

### *(c) Title*

The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

The Issuer shall cause to be kept at the specified office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes. No transfer of a Note will be valid unless and until entered on the Register.

Transfers and exchanges of beneficial interests in the Regulation S Global Note and any Definitive Registered Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained



in the Paying Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Regulation S Global Note or the transfer of a Definitive Registered Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Transfer Agent in the U.K. or the Registrar to any holder of a Note who so requests and will be available upon request at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

A Definitive Registered Note may be transferred in whole or in part upon the surrender of the relevant Definitive Registered Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.

Each new Definitive Registered Note to be issued upon transfer of Definitive Registered Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Registered Note to such address as may be specified in such request.

Registration of Definitive Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

No holder of a Definitive Registered Note may require the transfer of such Note to be registered during the period of 7 days ending on the due date for any payment of principal or interest on such Note.

### **3. Status, Ranking and Security**

#### *Status*

- (a) The Notes constitute direct and secured obligations solely of the Issuer and the Notes will rank (subject to the provisions of Condition 6, ("*Redemption, Purchase and Cancellation*")) without preference or priority *pari passu* amongst themselves.
- (b) The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by any of the other parties to the Transaction Documents.
- (c) The Notes which have been issued by the Issuer on the Closing Date, are subject to the Trust Deed and are secured by the same Security. The Notes rank *pari passu* without preference or priority amongst themselves.
- (d) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Noteholders, and the other Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in such case to have regard only to: (i) for so long as there are any Notes outstanding, the interests of the Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Noteholders and/or any other Secured Creditors;

However, at any particular time, having regard to the specific circumstances then applicable, the Trustee may, in its absolute discretion (and without prejudice to the preceding paragraph), if it believes it to be just and equitable to do so, convene a meeting or meetings of Noteholders.

#### *Security*

- (e) As security for the payment of all moneys payable in respect of the Notes and the other Secured Obligations (including the remuneration, expenses and any other claims of the Trustee and any Receiver appointed under the Deed of Charge), and in respect of certain amounts payable to the

Noteholders and the other Secured Creditors from time to time, the Issuer has, pursuant to the Deed of Charge created the following Security in favour of the Trustee for itself and on trust for the Noteholders and the other Secured Creditors:

- (i) a first fixed charge over the Issuer's right, title, interest and benefit in the Mortgages, other than the Scottish Mortgages, and certain collateral security;
- (ii) an assignation in security of the Issuer's whole right, title and interest in and to the Scottish Declaration of Trust and the Scottish Trust Property therein defined;
- (iii) an assignment by way of security of the Issuer's interest in certain insurance contracts so far as they relate to the Mortgages (in so far as such interests are capable of assignment);
- (iv) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest present and future in the Transaction Documents other than the Notes and the Trust Documents;
- (v) a first fixed charge over the Issuer's interest in the GIC Accounts and any other bank account of the Issuer from time to time and the debts represented thereby (which in either case, may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
- (vi) floating charge over all the present and future assets and undertaking of the Issuer not subject to the fixed charges or assignments by way of security described above but extending over all the assets and undertaking of the Issuer situated in, or otherwise governed by, the laws of Scotland.

### **Priority of Payments Prior to Enforcement**

#### *Pre-Enforcement Income Receipts*

- (f) prior to the delivery of an Enforcement Notice by the Trustee, Applied Income will be applied on each Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) (the **Regular Pre-Enforcement Interest Priority of Payments**):
  - (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
  - (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;
  - (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans administered by that Administrator on the last day of each

calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the Administrators or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;

- (iv) *fourth, pro rata and pari passu*, in or towards payment, due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xiii) below);
- (v) *fifth*, in or towards payment of interest due on the Notes;
- (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
- (vii) *seventh*, if applicable, to the extent of any shortfall standing to the credit of the Relevant GIC Account in or towards amounts to be credited to the Relevant GIC Account to bring the balance up to the Required Amount;
- (viii) *eighth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (ix) *ninth*, in or towards payments of interest due in respect of Tranche A of the Subordinated Loan;
- (x) *tenth*, in or towards payment of interest due in respect of the Discount Reserve Loan;
- (xi) *eleventh*, in or towards repayment of principal payable in respect of the Discount Reserve Loan;
- (xii) *twelfth*, in or towards payment of interest due and principal payable in respect of the Expenses Loan;
- (xiii) *thirteenth, pro rata and pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from an Event of Default (as defined in the applicable Swap Agreement) by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event (as defined in the applicable Swap Agreement) as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (iv) above;
- (xiv) *fourteenth, pro rata and pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) not paid under item (iii) above;
- (xv) *fifteenth*, in or towards satisfaction of amounts payable in respect of Tranche B of the Subordinated Loan;
- (xvi) *sixteenth*, to retain in the Britannia GIC Account an amount equal to, if the Expenses Loan Condition is true, the principal amount outstanding under the Expenses Loan Agreement or, if the Expenses Loan Condition is not true, nil;

- (xvii) *seventeenth, pro rata and pari passu*, in or towards payment to Meerbrook 3, MAS5 and PFL in respect of all amounts accrued and due under or pursuant to the deferred consideration agreement between the Issuer and Meerbrook 3, MAS5 and PFL dated on or about the Closing Date (the **Deferred Consideration Agreement**); and
- (xviii) *eighteenth*, the surplus, if any, to the Issuer.

Applied Income allocated and provided for in accordance with the Regular Pre-Enforcement Interest Priority of Payments may be applied during each Interest Period by the Issuer to make payment of certain third party costs and expenses and amounts under the Interest Rate Swap Transactions that have fallen due.

**Pre-Enforcement Interest Priority of Payment on the Final Repayment Date**

- (g) On the Final Repayment Date, provided an Enforcement Notice has not been delivered by the Trustee, Applied Income will be applied on such Interest Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) (the **Final Pre-Enforcement Interest Priority of Payments**, and, together with the Regular Pre-Enforcement Interest Priority of Payments, the **Pre-Enforcement Interest Priority of Payments**):
  - (i) *first*, in or towards satisfaction of the fees, costs and expenses of the Trustee and any costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
  - (ii) *second, pro rata and pari passu*, in or towards satisfaction of the fees payable to the Paying Agents and the Agent Bank and any costs, charges, liabilities (including in respect of indemnity payments payable to any of them) and expenses incurred by any of them under the provisions of the Paying Agency Agreement and/or the Deed of Charge and any VAT payable thereon;
  - (iii) *third, pro rata and pari passu*, in or towards satisfaction of the administration fees (inclusive of any VAT) of the Administrators under the Administration Agreement (or any substitute administrator) up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.3 per cent. per annum to the average of the aggregate of the balance of the Loans administered by that Administrator on the last day of each calendar month commencing in the immediately preceding Collection Period, together with all and any costs and expenses paid or to be paid by the Administrators or any substitute administrator during such Collection Period or to be incurred in the next succeeding Collection Period;
  - (iv) *fourth, pro rata and pari passu*, in or towards payment, due to a Swap Counterparty under an Interest Rate Swap Transaction or the Basis Swap Transactions including termination payments (except for such amounts as are payable under item (xii) below);
  - (v) *fifth*, in or towards payments of interest due on the Notes;
  - (vi) *sixth*, in or towards payment of or provision for sums due to unsecured third parties without such payment or provision causing breach by the Issuer of the Trust Deed, the Deed of Charge or the other Transaction Documents and for which payment has not been provided for elsewhere and to provide for any such amounts expected to become due and payable during the next following Collection Period;
  - (vii) *seventh*, in or towards payment of principal on Tranche B of the Subordinated Loan;

- (viii) *eighth*, in or towards retention, to the extent such amount has not been retained in full on a previous Interest Payment Date falling within each relevant accounting period of the Issuer, of an amount equal for each such relevant accounting period to the sum of the aggregate principal balances of the Loans at the beginning of the first Collection Period commencing on or after the first day of such relevant accounting period multiplied by (i) 0.01 per cent. in respect of the first £250,000,000, and (ii) 0.001 per cent. in respect of any additional amount in excess of £250,000,000;
- (ix) *ninth*, in or towards payment of interest due in respect of Tranche A of the Subordinated Loan;
- (x) *tenth*, in or towards payment of interest due in respect of the Discount Reserve Loan;
- (xi) *eleventh*, in or towards payment of principal due on the Discount Reserve Loan;
- (xii) *twelfth, pro rata and pari passu*, amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such early termination results from an Event of Default (as defined in the applicable Swap Agreement) by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty (other than amounts attributable to collateral (and income thereon)) to the extent not paid in item (iv), above;
- (xiii) *thirteenth*, in or towards payment of interest on the Expenses Loan;
- (xiv) *fourteenth*, in or towards payment of principal on the Expenses Loan;
- (xv) *fifteenth*, in or towards payment of interest on the Tranche B of the Subordinated Loan;
- (xvi) *sixteenth, pro rata and pari passu*, in or towards satisfaction of the balance of the fees, costs and expenses of the Administrators (or any substitute administrator) to the extent not paid under item (iii) above;
- (xvii) *seventeenth, pro rata and pari passu*, in or towards payment to Meerbrook 3, MAS5 and PFL in respect of all amounts accrued and due under or pursuant to the Deferred Consideration Agreement; and
- (xviii) *eighteenth*, the surplus, if any, to the Issuer.

### **Principal Receipts**

- (h) Prior to the delivery of an Enforcement Notice by the Trustee, Applied Principal will be applied on each Interest Payment Date in making the payments or provisions in accordance with the Pre-Enforcement Principal Priority of Payments (in each case only to the extent that payments or provisions of a higher priority have been made in full) as set out in Condition 6(b) below.

### **Priority of Payments Following Enforcement**

- (i) At any time following the delivery of an Enforcement Notice by the Trustee pursuant to Condition 10 ("*Events of Default*") declaring the Notes to be due and repayable, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the Britannia GIC Account and the RBS GIC Account and in respect of the Charged Property (other than amounts standing to the credit of any swap collateral account which are payable to the Basis Swap Counterparty, as applicable, in accordance with the Basis Swap Agreement to make payments in the following order of priority (the **Post-Enforcement Priority of Payments**), in accordance with and as more fully specified in the Deed of Charge (in each case only to the extent that payments or provisions of a higher priority have first been made in full):
  - (i) *first*, in or towards satisfaction *pro rata and pari passu*, of:

- (a) the remuneration then payable to any Receiver and any costs, charges, liabilities (including in respect of any indemnity payments payable to such Receiver) and expenses then incurred by such Receiver together with interest as provided in the Deed of Charge; and
- (b) the fees, costs, charges, liabilities (including in respect of indemnity payments payable to the Trustee) and expenses incurred by the Trustee under the provisions of the Trust Deed, the Deed of Charge or any of the other Transaction Documents together with interest and any VAT thereon as provided in the Trust Deed, the Deed of Charge and/or any of the other Transaction Documents;
- (ii) *second, pro rata*, in or towards payment of the fees and costs (including any VAT) of Administrators (and any substitute administrator) and the fees, costs, charges and liabilities and expenses of the Paying Agents, Transfer Agent and the Agent Bank;
- (iii) *third, pro rata and pari passu*, in or towards payment of amounts due to any Interest Rate Swap Counterparty and any Basis Swap Counterparty including termination payments (except for such amounts as are payable under item (ix) below);
- (iv) *fourth*, in respect of interest and principal due on the Notes;
- (v) *fifth*, in or towards satisfaction of all amounts due and payable to the Discount Reserve Provider pursuant to the Discount Reserve Loan Agreement;
- (vi) *sixth*, in or towards satisfaction of all amounts of principal repayable in respect of advances outstanding under the Subordinated Loan;
- (vii) *seventh*, in or towards all amounts due and payable in respect of the Expenses Loan;
- (viii) *eighth*, in or towards satisfaction of amounts payable in respect of interest pursuant to the Subordinated Loan;
- (ix) *ninth*, in or towards payment of amounts due to a Swap Counterparty in connection with an early termination of any Swap Agreement where such termination results from a default by the relevant Swap Counterparty or where the relevant Swap Counterparty is the sole Affected Party (as defined in the applicable Swap Agreement) with respect to an Additional Termination Event as a result of a ratings downgrade of the Swap Counterparty to the extent not paid in items (iii) above;
- (x) *tenth, pro rata and pari passu*, in or towards payment to Meerbrook 3, MAS5 and PFL respectively in respect of all amounts accrued and due under or pursuant to the Deferred Consideration Agreement; and
- (xi) *eleventh*, the surplus, if any, to the Issuer.

#### **4. Covenants**

Save with the prior written consent of the Trustee or as provided in or envisaged by any of these Conditions, the Trust Deed, the Deed of Charge, the Post-Enforcement Call Option Deed or any of the other Transaction Documents, the Issuer shall not, so long as any Note remains outstanding (as defined in the Master Framework Agreement):

##### **(a) Negative Pledge**

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its 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;
- (ii) have or form any subsidiaries, undertakings of any nature or employees or premises; or
- (iii) have its centre of main interest, as such term is used in the EU Insolvency Regulation, in any jurisdiction other than England;

**(c) Disposal of Assets**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present of future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

**(d) Dividends or Distributions**

other than in respect of Company Profit (as defined in the Deferred Consideration Agreement), pay any dividend or make any other distribution to its shareholders or issue any further shares;

**(e) Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any obligation of any person;

**(f) Merger**

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

**(g) Bank Accounts**

have an interest in any bank account, other than the Collection Accounts, the Sundries Accounts, the Britannia GIC Account, the RBS GIC Account and the Standby Drawing Account unless such account or interest is charged to the Trustee so as to form part of the security for the Notes on terms acceptable to the Trustee;

**(h) Value Added Tax (VAT)**

apply to become part of any group for the purposes of Section 43 of the VAT Act 1994 with any other company or group of companies, or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the VAT Act 1994, unless required to do so by law;

**(i) Surrender of Group Relief**

offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of an amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender; or

**(j) Other**

permit the validity or effectiveness of any of the Transaction Documents, the insurance contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, terminated or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to, the terms of the Trust Deed, these Conditions or any of the Transaction Documents, or permit any party to any of the Transaction Documents or insurance contracts or any

other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders.

## **5. Interest**

### **(a) Period of Accrual**

The Notes bear interest on their Principal Amount Outstanding from and including the Closing Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is not paid in full or is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any judgment) at the rate from time to time applicable up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the Noteholder (in accordance with Condition 15 ("*Notices*")), that the full amount payable is available for collection by the Noteholder, provided that on due presentation payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

### **(b) Interest Payment Dates and Interest Periods**

Interest on the Notes shall be payable in arrear on 22 September 2008, and thereafter quarterly in arrear on the 21st day in December, March, June and September in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an **Interest Payment Date**).

### **(c) Rate of Interest**

The rate of interest payable from time to time in respect of the Notes (the **Rate of Interest**) will be determined by the Agent Banks on each Interest Payment Date (each an **Interest Determination Date**).

The Rate of Interest in respect of the Notes for each Interest Period shall be the aggregate of:

- (i) the Relevant Margin; and
- (ii) the rate for three-month Sterling deposits offered to prime banks in the London Inter Bank Market (**3 Month Sterling LIBOR**) which appears on the page reference "LIBOR01" on the Reuters monitor (or (aa) such other page as may replace the page reference "LIBOR01" on the Reuters monitor on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on any successor or equivalent service (or, if more than one, that one which is approved in writing by the Trustee to replace the Reuters Monitor)) at or about 11.00 a.m. (London time) on the Interest Determination Date (the **Sterling LIBOR Screen Rate**); or in the case of the first Interest Period only, the rate obtained by the linear interpolation of the rate for two month and three Sterling deposits in the market;
- (iii) if the Sterling LIBOR Screen Rate is unavailable at such time, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks as the relevant LIBOR rate at or about 11.00 a.m. (London time) on the Interest Determination Date. If on any such Interest Determination Date, only two of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the



basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Trustee suitable for such purpose) and the Rate 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. 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 3 Month Sterling LIBOR for the relevant Interest Period shall be the 3 Month Sterling LIBOR in effect as at the last preceding Interest Determination Date to which Condition 5(c)(ii) shall have applied.

For the purposes of these Conditions, the **Relevant Margin** shall be: 1.00 per cent. per annum until the Interest Payment Date falling in June 2013 and thereafter 1.00 per cent. per annum;

***(d) Determination of Rates of Interest and Calculation of Interest Amounts***

The Agent Bank will, on each Interest Determination Date, determine and notify the Issuer, the Administrators, the Trustee, the Swap Counterparty and the Paying Agents of (i) the Rate of Interest applicable for the Interest Period beginning on and including such Interest Determination Date in respect of the Notes; (ii) the amount payable in respect of such Interest Period in respect of each Note (the **Interest Amount**) payable in respect of such Interest Period in respect of each Note. The Interest Amount for a Note shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the relevant Note multiplied by the actual number of days in the relevant Interest Period and divided by 365 (or in the case of an Interest Period ending in a leap year, 366) and rounding the resultant figure to the nearest penny or cent, as the case may be, (half a penny or cent, as the case may be, being rounded upwards).

***(e) Publication of Rate of Interest and Interest Amount***

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to the Notes for the Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to the UK Listing Authority and to the London Stock Exchange, for so long as the Notes are listed on the Official List of the UK Listing Authority and admitted for trading with the London Stock Exchange, and will cause the same to be published in accordance with Condition 15 ("*Notices*") on or as soon as practicable after such determination. The Interest Amount and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or a shortening of the Interest Period.

***(f) Determination or Calculation by the Trustee***

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for the Notes in accordance with this Condition 5, the Trustee shall (i) determine the Rate of Interest for the Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or, as the case may be, (ii) calculate the Interest Amount for the Notes in the manner specified in this Condition, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank and in the absence of fraud or negligence shall be final and binding and in such absence of fraud or negligence, no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition.

***(g) Notification to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Trustee and all Noteholders and (in such absence as aforesaid) no liability to any such

person shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

**(h) Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be four Reference Banks and an Agent Bank. The initial Agent Bank shall be HSBC Bank plc of 8 Canada Square, London E14 5HQ. In the event of any of the Reference Banks being unable or unwilling to continue to act as a Reference Bank or HSBC Bank plc being unable or unwilling to continue to act as Agent Bank, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer.

**6. Redemption, Purchase and Cancellation**

**(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided in this Condition 6, the Issuer shall (without prejudice to the provisions of Condition 6(i)) redeem the Notes at their Principal Amount Outstanding together with all interest accrued thereon on the Interest Payment Date falling in December 2039 (the **Maturity Date**).

The Issuer may not redeem Notes in whole or in part prior to their respective Maturity Dates except as provided in Conditions 6(b), (d) or (e) of this Condition, but without prejudice to Condition 10 ("*Events of Default*") below.

**(b) Mandatory Redemption in Part**

Prior to delivery of an Enforcement Notice by the Trustee, on each Interest Payment Date other than the Interest Payment Date on which the Notes are to be redeemed under Condition 6(a) or (d) or (e), the Issuer is required to apply the amount of Applied Principal in or towards purchasing Further Advances, provided that the aggregate of the amounts so applied must not exceed (i) the cumulative amount of 10.0 per cent. of the aggregate original outstanding balances of the Mortgages on the Closing Date plus (ii) the aggregate amount of Retentions in respect of the Mortgages.

The Actual Redemption Funds will be applied in partial redemption of the Notes on any Calculation Date, to effect redemptions of the Notes on the next Interest Payment Date sequentially as follows (the **Pre-Enforcement Principal Priority of Payments**):

- (i) *first*, in redeeming the Notes until no Notes remain outstanding;
- (ii) *second*, in or towards satisfaction of amounts of interest (to the extent not paid by item (ix) of the Pre-Enforcement Interest Priority of Payments) and principal payable in respect of Tranche A of the Subordinated Loan; and
- (iii) *third*, on the Interest Payment Date falling in December 2039 or such earlier date when all of the Notes, have been redeemed in full, in or towards repayment of all outstanding advances in respect of the Subordinated Loan in respect of principal to the extent not previously repaid pursuant to the Pre-Enforcement Interest Priority of Payments.

Each Note will be redeemed in an amount equal to the applicable proportion of the Actual Redemption Funds divided by the number of Notes and rounded down to the nearest pound.

To the extent that the Sterling amounts available are greater than the amounts actually used by the Issuer on any Interest Payment Date such excess Sterling amounts (the **Rounding Balance**) shall be retained and form part of Applied Principal on the next Calculation Date.

The Cash Manager is responsible, pursuant to the Administration Agreement, for determining the amount of the Applied Principal as at any Calculation Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Trustee and all

Noteholders and no liability to the Noteholders shall attach to the Issuer, the Trustee or (in the absence of negligence, wilful default, bad faith or manifest error) to the Cash Manager in connection therewith.

**(c) Note Principal Payments, Principal Amount Outstanding and Pool Factor**

The principal amount redeemable in respect of each Note, (the **Note Principal Payment**) on any Interest Payment Date under paragraph (b) above shall be the amount of the Actual Redemption Funds on the Calculation Date immediately preceding that Interest Payment Date to be applied in redemption of Notes divided by the number of Notes in the relevant denomination then outstanding.

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 Note Principal Payment 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 a Note (as referred to in (ii) above) and the denominator is 100,000. Each determination by or on behalf of the Issuer of any Note Principal Payment, 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.

The Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Trustee, the Paying Agents, the Agent Bank and (for so long as the 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 ("*Notices*") by not later than two Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine) with respect to the Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud or negligence shall be final and binding and in such absence of fraud or negligence, no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition.

**(d) Optional Early Redemption of the Notes**

On any Interest Payment Date falling on or after the Step-Up Date and having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders (in accordance with Condition 15 ("*Notices*")), the Issuer may redeem all (but not some only) of the Notes then outstanding at their then Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes then outstanding is less than 10.0 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date and having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders, the Issuer may redeem all (but not some only) of the Notes at their then Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid.

**(e) Optional Redemption of the Notes for Tax Reasons**

If the Issuer at any time satisfies the Trustee prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer and/or any Swap Counterparty would be required to deduct or

withhold from, in the case of the Issuer, any payment of principal or interest on the Notes or from, in the case of the Issuer and/or any Swap Counterparty, any payment to be made under any Swap Agreement, or under any such hedging arrangements (other than in respect of default interest), 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 the United Kingdom or any political subdivision thereof or any authority thereof or therein or (ii) the Issuer, by virtue of a change in or expiry of tax law (or the application or official interpretation thereof), would not be entitled to relief for United Kingdom tax purposes for any material amount which it is obliged to pay and would as a result be subject to an increased liability to taxation for any accounting period, or would be treated as receiving for United Kingdom tax purposes an amount which it was not entitled to receive, under any Swap Agreement, or (iii) by virtue of a change in tax law (or the application or official interpretation thereof), the amounts payable to the Issuer in respect of interest from Borrowers under the Mortgages ceases to be receivable in full, then the Issuer may, having given not more than 60 nor less than 30 days' prior written notice to the Trustee and the Noteholders in accordance with Condition 15 ("*Notices*"), redeem all (but not some only) of the Notes then outstanding on any Interest Payment Date at their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer (or in respect of (c) below the Issuer or any Swap Counterparty), shall have provided to the Trustee: (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid, (b) in relation to (iii) above, a certificate from two directors of the Issuer to the effect that the reduction in amounts received under the Mortgages cannot be avoided without significant cost to the Issuer, and (c) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law. Any certificate(s) and legal opinion given by or on behalf of the Issuer or any Swap Counterparty, may be relied on by the Trustee and shall be conclusive and binding on the Noteholders.

***(f) Notice of Redemption***

Any such notice as is referred to in Condition 6(d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their then Principal Amount Outstanding together with all accrued interest.

***(g) Cancellation***

All Notes redeemed pursuant to Condition 6(d) or (e) above or otherwise redeemed in whole will be cancelled upon redemption and may not be resold or re-issued.

***(h) Purchase of the outstanding Notes upon exercising Post-Enforcement Call Option***

The Issuer shall not be entitled to purchase any Notes in the market. All of the Noteholders shall be required, at the request of Holdings, to sell all (but not some only) of their holdings of the Notes to Holdings pursuant to the option granted to it by the Trustee (on behalf of the Noteholders) to acquire all (but not some only) of the Notes (plus accrued interest thereon), for the consideration of one penny per Note on the date following any enforcement of the Security for the Notes, on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the relevant Notes and after the application of any such proceeds towards payment of amounts due under the relevant Notes in accordance with the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of such Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post-Enforcement Call Option Deed and each Noteholder, by subscribing for or purchasing the relevant Note(s), agrees to be so bound.

***(i) Final Payment of Principal***

Without prejudice to the rights of the Trustee and the Noteholders pursuant to Condition 10 ("*Events of Default*"), if, on the Maturity Date or other date on which the Notes in question fall to be redeemed in full in accordance with this Condition, there remains any unpaid amount of principal in respect of the Notes, such

amount will become due and payable on that date (subject to any applicable provisions of the Deed of Charge regarding the priority of payments as between holders of the Notes).

## **7. Payments**

### ***(a) Principal and interest***

Payments of principal in respect of any Regulation S Global Note will be made to the persons shown in the Register at the close of business on the Record Date and, in the case of any final redemption, upon the surrender of such Regulation S Global Note at the Specified Office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

Payments of principal in respect of any Definitive Registered Notes will be made to the persons shown in the Register at the close of business on the Record Date and, in the case of final redemption, upon surrender of such Definitive Registered Notes at the specified office of the Transfer Agent in the U.K., the Registrar or the Principal Paying Agent.

Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date.

Payments in respect of the Notes will be made in Sterling by Sterling cheque drawn on a bank in the United Kingdom at the Specified Office of the Principal Paying Agent or, at the option of the Noteholder, by transfer to a Sterling account maintained by the payee with a branch of a bank in the City of London.

The person shown in the Register at the close of business on the applicable Record Date in respect of a Regulation S Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Regulation S Global Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

### ***(b) Payments subject to Fiscal Laws***

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.

### ***(c) Withheld Interest***

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(a) will be paid against presentation of such Note at the Specified Office of any Paying Agent in accordance with this Condition 7.

### ***(d) Paying Agent***

The initial Principal Paying Agent and its initial specified office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other paying agents (together with the Principal Paying Agent, the Paying Agents). The Issuer will at all times prior to redemption of the Notes in full maintain a paying agent with a Specified Office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their Specified Offices to be given in accordance with Condition 15 ("Notices").

### ***(e) Payments on Business Days***

If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

## 8. Prescription

Claims for principal in respect of Notes shall become void unless claims under the relevant Notes are made within ten years of the appropriate Relevant Date. Claims for interest in respect of Notes shall become void unless the relevant Notes are made within five years of the appropriate Relevant Date.

## 9. Taxation

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

## 10. Events of Default

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Notes shall give a notice (an **Enforcement Notice**) to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an **Event of Default**):
- (i) default being made for a period of five Business Days in the payment of the principal of or any interest on any Note when and as the same ought to be paid in accordance with these Conditions; or
  - (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes, the Trust Deed, the Deed of Charge or any of the other Transaction Documents (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure continues for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied and provided that the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or
  - (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10(a)(iv), ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
  - (iv) an order being made or an effective resolution being passed for the winding up of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the A Noteholders; or
  - (v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 14

days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors, generally.

- (b) Upon any declaration being made by the Trustee in accordance with Condition 10(a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

## **11. Enforcement**

### **(a) Action by the Trustee**

Subject to Condition 11(b), at any time after the Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest, but it shall not be bound to take any such proceedings unless: (i) it shall have been directed or requested to do so by an Extraordinary Resolution of the Noteholders of the Notes then outstanding; or (ii) it shall have been directed or requested to do so in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding and in either case only if it shall have been indemnified and/or secured to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer otherwise than in accordance with the Deed of Charge. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Security at the request of any other Secured Creditor under the Deed of Charge.

### **(b) Restrictions on Disposal of the Charged Property**

If the Notes have become due and repayable otherwise than by reason of a default in payment of any amount due thereon, the Trustee will not be entitled to dispose of any of the Charged Property (including any Loan and its Related Security beneficially owned by the Issuer) unless either:

- (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and amounts ranking in priority thereto or *pari passu* therewith; or
- (ii) the Trustee is of the opinion, reached after considering the advice of an investment bank or other financial advisor selected by the Trustee for the purpose of giving such advice, that the cash flow prospectively receivable by the Issuer (if the Charged Property were not disposed of) will not (or that there is a significant risk that it would 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 Noteholders and amounts ranking in priority thereto or *pari passu* therewith.

## **12. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor**

### **(a) Convening**

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed or other Transaction Documents, which modification may be made if sanctioned by an Extraordinary Resolution.

At any particular time, having regard to the specific circumstances then applicable, the Trustee may, in its absolute discretion (and without prejudice to the preceding paragraph), if it believes it to be just and equitable to do so, convene a meeting of Noteholders.

### **(b) Quorum**

Subject as provided below, the quorum at any meeting of the Noteholders for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding or at any adjourned meeting two or more persons being or representing Noteholders, whatever the aggregate Principal Amount Outstanding. The quorum at any meeting of the Noteholders passing an Extraordinary Resolution in respect of a Basic Terms Modification

shall be two or more persons holding or representing not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding or, at any adjourned meeting, two or more persons holding or representing not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Notes. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on that Extraordinary Resolution, whether on a show of hands or a poll.

For these purposes, a **Basic Terms Modification** means any modification of the date of maturity of the Notes, any modification which would have the effect of postponing any day for payments of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the priority of payment of interest and principal on the Notes or the Security constituted by or for the Notes, altering the currency of payment of the Notes (save as would be necessary in the event that the United Kingdom becomes a Participating Member State in the Economic and Monetary Union) or an alteration of the definition of Basic Terms Modification or of the majority required to effect a Basic Terms Modification or of the majority required to pass an Extraordinary Resolution.

**(c) Resolutions in Writing**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

**(d) Modification; Waiver**

The Trustee may agree, without the consent of the Noteholders, to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or the Secured Creditors or to any modification which, in the opinion of the Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders, determine that an Event of Default or a Potential Event of Default shall not, or shall not subject to special conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15 ("*Notices*").

**(e) Substitution of Principal Debtor**

The Trustee may agree, at the written request of the Issuer 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 Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially 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(f), the 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.

**(f) Approval**

The Trustee, in considering whether the exercise of any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents is not materially prejudicial to the interests of the Noteholders (the **No Material Prejudice Test**), shall be entitled to take into account any such matters as it in its sole discretion considers relevant, and which may include the Ratings Test being satisfied.



### **13. Indemnification of the Trustee**

#### **(a) *Trustee's Right to Indemnity***

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Trustee and provides that the Trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances and to be paid or reimbursed for any liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer and any other party to the Transaction Documents without accounting for any profit.

#### **(b) *Trustee not Responsible for Loss***

The Trustee will not be responsible for any loss, cost, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of either of the Administrators or any agent or related company of the Administrators or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

#### **(c) *Paying Agents Solely Agents of Issuer***

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided in the Paying Agency Agreement) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

#### **(d) *Initial Agents***

The initial Principal Paying Agent and the initial Agent Bank and their initial specified offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Paying Agent or Agent Bank.

#### **(e) *Maintenance of Agents***

The Issuer shall at all times maintain a paying agent in London, a principal paying agent, an agent bank and a registrar. Notice of any change in any of the Paying Agents or the Agent Bank or the Registrar or in their specified offices shall promptly be given to the Noteholders in accordance with Condition 15 ("*Notices*") and to the Company Announcements Office of the London Stock Exchange.

### **14. Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of any of the Paying Agents, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

### **15. Notices**

#### **(a) *Valid Notices***

Any notice to Noteholders shall be validly given if such notice is published in a leading daily newspaper printed in the English language and having general circulation in London (which is expected to be the Financial Times) or, if this is not practicable, in another leading English language newspaper as the Trustee shall approve having general circulation in Europe. 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 is made in the manner required in the newspaper referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Amount, a Note Principal Payment, a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly given if the information contained in such notice appears on Reuters Screen Page UCAA07 or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Noteholders in accordance with the preceding paragraph. Any such notice will be deemed to have been given on the first date on which such information appeared on the relevant screen.

**(b) Other Methods**

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

**16. Non Petition**

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Deed of Charge):

- (a) to direct the Trustee to enforce the Security other than when expressly permitted to do so under Condition 11 ("*Enforcement*"); or
- (b) to take or join any person in taking steps against the Issuer for the purpose to obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Payment Priorities not being observed.

**17. Governing Law**

The Transaction Documents and the Notes are governed by, and shall be construed in accordance with, English law other than certain provisions of the Transaction Documents particular to the law of Scotland (which are governed by, and shall be construed in accordance with, Scots law) and those provisions of the Transaction Documents particular to the laws of Northern Ireland (which are governed by, and shall be construed in accordance with, the law of Northern Ireland).

**18. Specified Offices of Agents**

The initial specified office of the initial Agent Bank and the initial Principal Paying Agent is at 8 Canada Square, London E14 5HQ.

## TAXATION

The following discussion is a summary of the United Kingdom withholding tax treatment as at the date hereof of the principal and interest paid in respect of the Notes (together with certain European Union withholding information reporting requirements). It does not deal with other United Kingdom tax consequences of acquiring, holding or disposing of the Notes. It describes consequences for persons who are absolute beneficial owners of the Notes based on law and practice as at the date of this Prospectus. The discussion is only a summary. It is a general guide and should be treated with appropriate caution. It is not intended as tax advice, and it does not describe all of the tax considerations that may be relevant to a prospective purchaser. EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS CIRCUMSTANCES OF PURCHASING, HOLDING AND SELLING THE NOTES UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES, THEIR POLITICAL SUBDIVISIONS AND ANY OTHER JURISDICTIONS WHERE THE PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAX.

### United Kingdom Taxation

#### (i) *Withholding Tax*

The Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the **Income Tax Act**) provided they carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act. Securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds (and in particular so long as the Notes continue to be listed as mentioned above), payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases an amount must be withheld on account of United Kingdom income tax at the savings rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty or to any other exemption which may apply.

#### *Other Rules Relating to United Kingdom Withholding Tax*

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" and "principal" in this summary of the United Kingdom withholding tax position mean "interest" and "principal" as understood in United Kingdom tax law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

Substitution of another corporate entity in place of the Issuer as principal debtor on the Notes (as described in "*Condition 12 – Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor*") may give rise to different withholding tax consequences to those described above.

#### (ii) *Provision of Information*

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a **Paying Agent**), or is received by any person in the United Kingdom acting on behalf of the

relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a **Collecting Agent**), then the Issuer, the Paying Agent or the Collecting Agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

## NOTES ISSUANCE

Pursuant to a Notes Issuance Agreement dated 30 June 2008 between the Issuer, Britannia (the **Note Purchaser**), J.P. Morgan Securities Ltd. and The Royal Bank of Scotland plc (the **Co-Arrangers**) (the **Notes Issuance Agreement**), the Note Purchaser has agreed with the Issuer to purchase the Notes at the issue price of 100 per cent. of the principal amount of such Notes. The Issuer will pay a fee to each Co-Arranger.

The Notes Issuance Agreement is subject to a number of conditions and may be terminated by the Notes Purchaser in certain circumstances prior to the time on the Closing Date when payment would otherwise be due under the Notes Issuance Agreement to the Issuer. The Issuer and the Note Purchaser have agreed to indemnify the Co-Arrangers against certain liabilities in connection with the issue of the Notes.

### General

#### *Compliance with Applicable Laws*

- (a) The Notes Purchaser and the Issuer undertake not to offer or sell, directly or indirectly, any Notes, or to distribute or publish the Prospectus or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable securities laws and regulations.
- (b) The Notes Purchaser and the Issuer acknowledge that, save for the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, the application for the admission of the Notes to the Official List of the UK Listing Authority and admission to trading on the Stock Exchange's Regulated Market, no further action has been or will be taken by any party in any jurisdiction 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.

#### *Use of information*

- (c) The Notes Purchaser and the Issuer are not authorised to give any information in relation to, or make any representation in connection with, the offering or sale of the Notes other than is contained in the Prospectus or as authorised in writing by the Issuer or the Note Purchaser (for use in connection with the giving of information or the making of any representation to third parties) or information otherwise in the public domain.

### United States

#### *No Registration under Securities Act*

- (a) The Notes have not been and will not be registered under the Securities Act or under the securities law of any U.S. state and, unless so registered may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable securities laws of any U.S. state. Accordingly, the Notes are being offered and sold outside the United States to non-U.S. persons pursuant to Regulation S.

#### *Compliance by Issuer with United States Securities Laws*

- (b) The Issuer represents, warrants and undertakes that:
  - (i) neither it, its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (**Regulation D**)), nor any person acting on its or their behalf (except for the Co-Arrangers, as to whom no representation is made) has, directly or indirectly, sold, offered for sale, solicited offers to buy or otherwise negotiated or will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any "security" (as defined in the Securities Act) that would require the registration of the Notes under the Securities Act;

- (ii) neither it, its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (as that term is defined in Regulation S) with respect to the Notes and it, its affiliates, and any person acting on its or their behalf, has complied and will comply with the offering restrictions requirements of Regulation S;
- (iii) it has not taken and will not take, directly or indirectly, any action designed to cause or result in, stabilisation in violation of applicable laws or manipulation of the price of any security to facilitate the sale or resale of the Notes; and
- (iv) it is a "foreign issuer" (as defined in Regulation S) and there is no "substantial U.S. market interest" (as defined in Regulation S) in the debt securities of the Issuer.

#### **Notes Purchaser's Compliance with United States Securities Laws**

- (c) The Notes Purchaser represents, warrants and undertakes that:
  - (i) neither it, its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf (except for the Co-Arrangers, as to whom no representation is made) has, directly or indirectly, sold, offered for sale, solicited offers to buy or otherwise negotiated or will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any "security" (as defined in the Securities Act) that would require the registration of the Notes under the Securities Act;
  - (ii) it has solicited and will solicit offers, it has offered, sold or delivered the Notes and will offer, sell or deliver the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**) only in accordance with Regulation S. The Notes Purchaser agrees that, at or prior to confirmation of sale of the Notes, it will have sent to each affiliate, distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Notes during the Distribution Compliance Period a confirmation or notice to substantially the following effect:
 

"The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), and may not be offered, sold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, U.S. persons (i) as part of the distribution of the Notes at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of closing of the offering, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S".
- (d) The Notes Purchaser represents, warrants and agrees that neither it, its affiliates (as defined in Rule 501(b) of Regulation D) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

#### **United Kingdom**

The Notes Purchaser represents to and agrees that in connection with the issue of the Notes or the sale of any Notes:

- (a) it has complied and will comply with all applicable provisions of the FSMA in, from or otherwise involving the United Kingdom; and
- (b) 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 investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Notes or the sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.



## GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 23 June 2008.
2. It is expected that the listing of the Notes by the UK Listing Authority on the Official List and admission of the Notes to trading on the London Stock Exchange's Regulated Market by the London Stock Exchange will be granted on or around 2 July 2008. The listing of the Notes is conditional upon the issue of the Regulation S Global Note, which is expected to take place on the Closing Date. Transactions will normally be effected for delivery on the third working day after the day of the transaction. Prior to such listing on the Official List and admission to trading, however, dealing in the Notes will be permitted by the London Stock Exchange's Regulated Market in accordance with its rules.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN for the Notes are as follows:

### Regulation S Notes

	Common Code	ISIN
Notes.....	036788062	XS0367880621

4. The auditors of the Issuer are PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP are a member of the Institute of Chartered Accountants in England and Wales. So long as the Notes are listed on the Official List and traded on the London Stock Exchange's Regulated Market, the most recent published audited annual accounts of the Issuer will be available at the Specified Office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. The Issuer is not nor has it been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) during the previous twelve months which may have or have had in the recent past, significant effects on the Issuer's financial position or profitability.
6. In relation to this transaction the Issuer, as at the date of this document, has entered into the Notes Issuance Agreement referred to under "*Notes Issuance*" above, which is or may be material.
7. PricewaterhouseCoopers LLP have given and not withdrawn its written consent to the inclusion herein of its accountant's report and references to its name in the form and context in which they are included and has authorised the content of those parts of the Prospectus for the purposes of rule 5.5.4(f) of the Prospectus Rules made under Part VI of FSMA. The auditors of the Issuer have no material interest in the Issuer.
8. Since 19 March 2007, being the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or (save as disclosed under the Capitalisation and Indebtedness Statement on page 49) financial position of the Issuer.
9. Copies of the following documents may be inspected during usual business hours at the offices of the Issuer and the Principal Paying Agent from the date of this document and so long as any of the Notes remains outstanding:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Accountant's Report on the Issuer;
  - (c) this Prospectus;
  - (d) drafts of the following agreements (subject to modification):



- (i) the Paying Agency Agreement;
- (ii) the Deed of Charge;
- (iii) the Trust Deed;
- (iv) the Master Framework Agreement;
- (v) the Mortgage Sale Agreements;
- (vi) the Administration Agreement;
- (vii) the Britannia GIC Agreement;
- (viii) the RBS GIC Agreement;
- (ix) the GIC Guarantee;
- (x) the Subordinated Loan Agreement;
- (xi) the Discount Reserve Loan Agreement;
- (xii) the Expenses Loan Agreement;
- (xiii) the Declaration of Trust;
- (xiv) the Basis Swap Transactions;
- (xv) the Interest Rate Swap Transactions;
- (xvi) the Sub-Administration Agreement; and
- (xvii) the Deferred Consideration Agreement.

11. The Issuer confirms that the mortgage loans backing the Notes have the characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes.

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