

REAL ESTATE CAPITAL

REAL ESTATE CAPITAL NO. 7 PLC

(incorporated with limited liability in England & Wales)

£245,550,000

Class A Commercial Mortgage Backed Floating Rate Notes due 2022

£200,950,000

Class B Commercial Mortgage Backed Floating Rate Notes due 2022

Issue Price 100%

(Arranger and Manager)

Rabobank International

The date of this Prospectus is 23 October 2008

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£245,550,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2022

£200,950,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2022

Issue Price 100%

Source of Payment

The primary source of funds for the payment of principal and interest on the £245,550,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2022 (the "**Class A Notes**") and the £200,950,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2022 (the "**Class B Notes**") and together with the Class A Notes, the "**Notes**") of Real Estate Capital No. 7 plc (the "**Issuer**") will be the right of the Issuer to receive payments of fees, payments of interest and repayments of principal under certain commercial mortgage backed loans secured on properties located in England and Wales and Scotland.

Application to Euronext Amsterdam

Application has been made to list the Class A Notes on Euronext Amsterdam by NYSE Euronext ("**Euronext Amsterdam**"). This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

This Prospectus constitutes a "Prospectus" for the purpose of Directive 2003/71/EC.

Obligations of the Issuer only

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this Prospectus and any suggestion otherwise, express or implied, is expressly excluded.

Withholding Tax

If any withholding or deduction for or on account of tax is applicable to payments of interest or principal on the Notes, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence. See "*UK Taxation*" below.

Ratings

The Class A Notes are expected on issue to be assigned the rating set out in the table on page 2 by Fitch Ratings Ltd. ("**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 Fitch.

Risk Factors

A discussion of certain factors which should be considered in connection with an investment in the Notes is set out in the section entitled "*Risk Factors*".

THE MANAGER HAS AGREED TO SELL, AND N M ROTHSCHILD & SONS LIMITED HAS
AGREED TO PURCHASE, THE NOTES FROM THE MANAGER ON THE CLOSING DATE

(*Arranger and Manager*)
Rabobank International

The date of this Prospectus is 23 October 2008

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Representations about the Notes

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or by or on behalf of any of the Originator, the Manager, the Arranger, the Servicer, the Trustee, the Corporate Services Provider, the Share Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the Listing Agent, the Liquidity Facility Provider, the Expenses Loan Provider, the Swap Counterparty, the GIC Provider or the Account Banks (each as defined herein and, together, the "**Specified Parties**"). Any such representation or information should not be relied upon as having been authorised by the Issuer or any of the Specified Parties.

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

Purchasers of Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Manager makes no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied by the Issuer in connection with the Notes and does not accept any responsibility or liability therefor. The Manager does not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Manager.

Financial condition of the Issuer

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

Selling Restriction Summary

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Notes. Neither this Prospectus, nor any part of it, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offering, sale and delivery 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 Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*" below.

In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws and unless so registered may not be offered or sold within the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state laws.

Other than the approval by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) of this Prospectus, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any 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 (or any part hereof) comes are required by the Issuer and the Manager to inform themselves about, and to observe, any such restrictions.

Currency

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

Interpretation

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus. An index of defined terms used in this Prospectus appears at the end of this Prospectus.

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SUMMARY OF THE CHARACTERISTICS OF THE NOTES

	Class A Notes	Class B Notes
Total Principal Amount on the		
Closing Date.....	£245,550,000	£200,950,000
Denomination	Sterling	Sterling
Issue Price	100%	100%
Relevant Margin over LIBOR.	1.15%	1.26%
Frequency of Payments of		
Interest.....	Monthly	Monthly
Legal Final Maturity	October 2022	October 2022
Expected Fitch Rating	AAA	Not rated
Form at Issue.....	Global	Registered
Listing	Euronext	Not listed
Clearing Systems	Euroclear, Clearstream, Luxembourg	NA
Common Code.....	038892410	NA
ISIN.....	XS0388924101	NA

OVERVIEW OF THE TRANSACTION

This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any supplement thereto. Civil liability will only attach to the Issuer, if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Issue of Notes and Purchase of Loans

On or about 24 October 2008 (the "**Closing Date**"), the Issuer will issue the Notes and will use part of the proceeds thereof to acquire from the Originator the right, benefit and interest in 55 commercial mortgage loans (the "**Mortgage Loans**") which have been originated on or before the date of this Prospectus to different borrowers (each a "**Borrower**"), together with the related Mortgages and Collateral Security (each as defined below). See "*Mortgage Sale Agreement*" below. The Issuer will also use part of the proceeds of the Notes to establish, on the Closing Date, the Further Advances Fund out of which it can fund the purchase, prior to the Further Advances Fund Expiry Date, of the Further Advances. See "*Summary — Mortgage Sale Agreement and Portfolio of Mortgage Loans — Further Advances Fund*" below.

The Mortgage Loans acquired by the Issuer as at the Closing Date together with all Further Advances expected to be made after the Closing Date and before the Further Advances Fund Expiry Date are expected to have an aggregate principal amount of £446,476,781.13 and to be secured over 313 commercial properties occupied by a total of 1,071 commercial tenants, each of which properties is located in England and Wales or Scotland (together, the "**Properties**", and each a "**Property**"). See "*The Expected Portfolio*" below.

The Mortgage Loans (i) provide for the relevant Borrower to pay a fixed rate of interest or a floating rate of interest; (ii) are denominated in Sterling; (iii) represent full recourse obligations of the relevant Borrower; and (iv) are governed by English law. All Mortgage Loans are secured by first legal mortgages or (in relation to Properties (as defined below) located in Scotland) first ranking standard securities, or first and sequentially lower ranking mortgages or (as applicable) standard securities over commercial properties granted by the relevant Borrower or a party related to the relevant Borrower (each a "**Mortgagor**"). It is expected that interest and principal payable under the Mortgage Loans to the Issuer will be sufficient for the Issuer to make payments of principal and interest due under the Notes.

Payments under the Borrower Loan Agreements

Each Mortgage Loan is evidenced by a loan facility agreement (each a "**Borrower Loan Agreement**"). Each Borrower Loan Agreement requires the applicable Borrower to pay fees, pay interest and repay principal into an account held by NMR (the "**Originator Account**") on the relevant due date (each a "**Borrower Loan Payment Date**"). See "*Underwriting Procedures — Terms of the Mortgage Loans*" and "*Summary — Mortgage Sale Agreement and Portfolio of Mortgage Loans — Mortgages and Collateral Security*" below.

The Servicer will transfer funds paid into the Originator Account during a Collection Period to the Issuer Transaction Account, one day prior to the next Payment Date. However, if NMR ceases to be rated F1 or higher by Fitch or if on any Business Day an amount in excess of £15,000,000 representing principal and interest payments from the Borrowers is standing to the credit of the Originator Account, the Servicer will transfer amounts from the Originator Account to the Issuer Transaction Account, two Business Days following receipt into the Originator Account. If NMR ceases to be rated F2 or better by Fitch, NMR will arrange for the amounts standing to the credit of the Originator Account to be guaranteed by an Authorised Entity.

The Servicer will, after payment of those obligations of the Issuer having a higher priority, apply such funds in the Issuer Transaction Account in payment of, among other things, interest due on the Notes and, where applicable, in repayment of principal of the Notes. See "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities*" below.

Servicing

Pursuant to the Servicing Agreement, NMR will act as Servicer in respect of the Mortgage Loans, Mortgages and Collateral Security.

Mortgages and Collateral Security

As of the date of this Prospectus, all the benefit of the security granted by each Borrower or Mortgagor as security for the liabilities under such Mortgage Loans and related finance documents, is held by or on behalf of the Originator.

Hedging Transactions

The Issuer will hedge against interest rate and timing risk arising as a result of the Borrowers paying a fixed rate of interest on certain of the Mortgage Loans, while the Issuer is required to pay floating rates of interest on the Notes and timing mismatches between the interest periods in relation to the Mortgage Loans and the Interest Period.

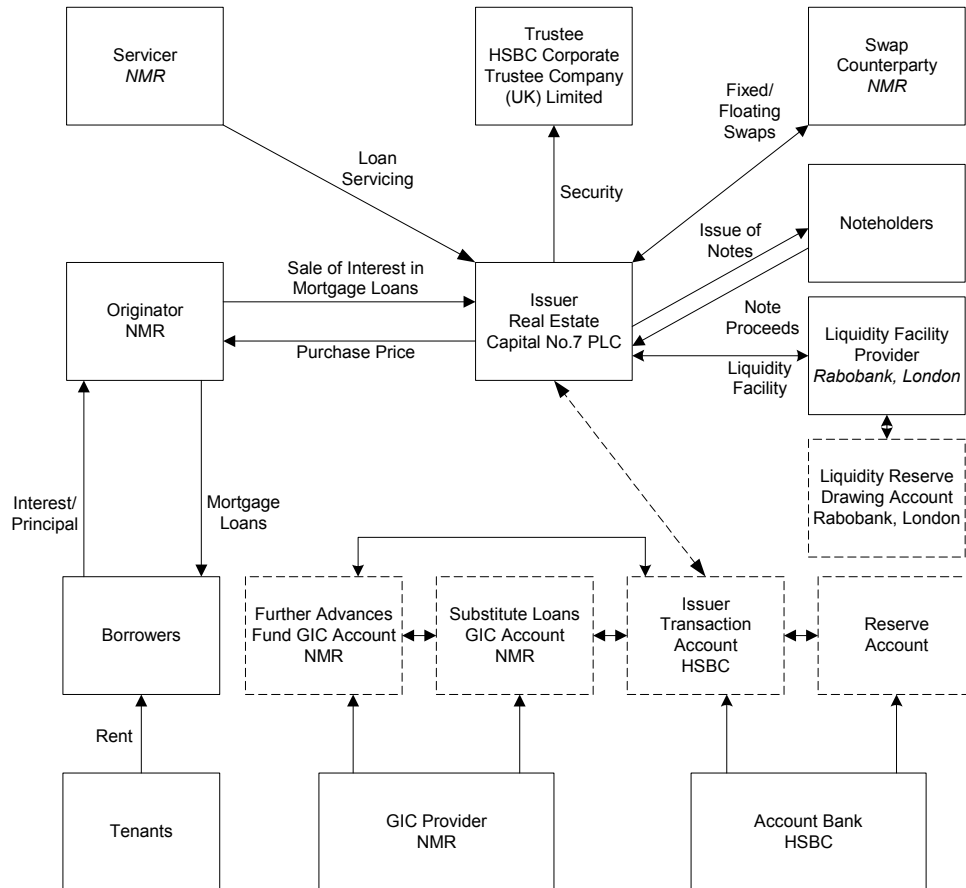
NMR will be the swap counterparty in relation to each Swap Transaction entered into by the Issuer on or about the Closing Date. See "*Resources Available to the Issuer — Hedging Arrangements*".

The Swap Counterparty and the Issuer are obliged to make payments under each Swap Transaction without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Counterparty will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required. The Issuer is similarly obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts. Such additional amounts will be payable in priority to amounts payable on the Notes. See "*Resources Available to the Issuer — Hedging Arrangements*".

Security for the Notes

The obligations of the Issuer under the Notes to the Noteholders and to the other Secured Parties will be secured pursuant to the Security Deed, which will be governed by English law. The Issuer will grant in favour of the Trustee, among other things, (a) an assignment by way of security of the Issuer's beneficial rights under the Mortgage Loans, Borrower Loan Agreements, Mortgages and Collateral Security (including an assignation in security of the Issuer's beneficial interest in the Scottish Mortgages and Scottish Collateral Security), (b) an assignment by way of security of the Issuer's rights under certain contracts entered into in connection with the Notes, (c) an assignment by way of security of the Issuer's interests in the Issuer Transaction Account, the Reserve Account and the GIC Accounts (collectively referred to as the "**Issuer Accounts**"), as well as any other accounts in which the Issuer may place and hold cash, and (d) a floating charge over the whole of the undertaking and assets of the Issuer other than those subject to fixed security but extending over all of the Issuer's undertakings and assets which are located in Scotland or otherwise governed by Scots law. See "*Resources Available to the Issuer — Issuer Security*" below.

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



THE PARTIES

Issuer	Real Estate Capital No.7 plc (the " Issuer "), a public company incorporated in England and Wales with limited liability (registered number 6544679) and whose registered office is at 7 Albemarle Street, London W1S 4HQ, will issue the Notes.
Originator	All the Mortgage Loans were originated by or on behalf of N M Rothschild & Sons Limited (" NMR ") (in such capacity, the " Originator ").
Servicer	NMR (in such capacity, the " Servicer "), will, pursuant to a servicing agreement (the " Servicing Agreement ") to be entered into on or about the Closing Date between the Issuer, the Servicer and the Trustee, act as servicer in respect of the Mortgage Loans, Mortgages and the Collateral Security. The unsecured, unsubordinated debt obligations of the Servicer are rated "A" (long term) and "F1" (short term) with a stable outlook from Fitch.
Issuer Account Bank	HSBC Bank plc (the " Issuer Account Bank "), acting through its branch at 8 Canada Square, London E14 5HQ, will act as account bank to the Issuer pursuant to an account bank agreement (the " Issuer Account Bank Agreement ") to be entered into on or about the Closing Date. The unsecured, unsubordinated debt obligations of the Issuer Account Bank are rated "F1+" (short term) and "AA" (long term) by Fitch.
Liquidity Reserve Account Bank	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch (the " Liquidity Reserve Account Bank "), acting through its branch located at Thames Court, One Queenhithe, London EC4V 3RL, will act as account bank to the Issuer pursuant to an account bank agreement (the " Liquidity Reserve Account Bank Agreement ") to be entered into on or about the Closing Date. The unsecured, unsubordinated debt obligations of the Liquidity Reserve Account Bank are rated "F1+" (short term) and "AA+" (long term) by Fitch.
GIC Provider	NMR (in such capacity, the " GIC Provider "), acting through its office located at New Court, St. Swithin's Lane, London EC4P 4DU, will provide a guaranteed interest account to the Issuer on accounts held with the GIC Provider, pursuant to a guaranteed interest contract (the " GIC Agreement ") to be dated on or about the Closing Date and between the GIC Provider, the Issuer and the Trustee.
Swap Counterparty	NMR (the " Swap Counterparty "), will enter into a swap agreement in the form of an ISDA 1992 Master Agreement (Multicurrency-Cross Border), together with a schedule thereto, each dated on or about the Closing Date (together with the transactions entered into pursuant thereto, the " Swap Agreement ") with the Issuer.
Liquidity Facility Provider	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, acting through its branch located at Thames Court, One Queenhithe, London EC4V 3RL, will, pursuant to a liquidity facility agreement (in such capacity, the " Liquidity Facility Agreement ") to be dated on or about the Closing Date and between the Liquidity Facility Provider, the Issuer and the Trustee, act as the liquidity facility provider to the Issuer (the " Liquidity Facility Provider ").
Expenses Loan Provider	NMR will in its capacity as Expenses Loan Provider (the " Expenses Loan Provider ") pursuant to the Expenses Loan Agreement, make a loan to the Issuer to permit the Issuer to pay its costs and expenses incurred in connection with the issue of the Notes.
Holdco	Real Estate Capital No. 7 Holdings Ltd. (" Holdco "), a limited liability company incorporated in England and Wales (registered number 6569613) and

whose registered office is at 7 Albemarle Street, London W1S 4HQ, will, pursuant to an agreement (the "**Post-Enforcement Call Option Agreement**"), have the benefit of an option (the "**Post-Enforcement Call Option**") to acquire all the Notes of the Issuer then outstanding, which will be exercisable only after certain conditions have been met. See "*Summary — The Notes and Credit Structure — Post-Enforcement Call Option*" below and Condition 9 (*Post-Enforcement Call Option*).

<i>Trustee</i>	HSBC Corporate Trustee Company (UK) Limited (in such capacity, the " Trustee ") will act as trustee for the Noteholders pursuant to a trust deed (the " Trust Deed ") between the Trustee and the Issuer to be dated on or about the Closing Date and will act as security trustee on behalf of the Secured Parties, including the Noteholders, pursuant to a security deed (the " Security Deed ") to be dated on or about the Closing Date.
<i>Principal Paying Agent and Agent Bank</i>	HSBC Bank plc, pursuant to a paying agency agreement (the " Paying Agency Agreement ") to be dated on or about the Closing Date, act as principal paying agent (the " Principal Paying Agent ") and agent bank (the " Agent Bank ") in respect of the Notes.
<i>Corporate Services Provider</i>	Citco London Limited (in this capacity, the " Corporate Services Provider ") will, pursuant to a corporate services agreement between the Corporate Services Provider, Holdco and the Issuer (the " Corporate Services Agreement "), provide certain corporate and administrative services to the Issuer.
<i>Share Trustee</i>	Citco London Limited (in this capacity, the " Share Trustee ") will, pursuant to a declaration of charitable trust (the " Declaration of Trust "), hold the beneficial interest in all the shares of the Issuer on charitable trusts and will provide certain services as trustee of the share trust.
<i>Initial Purchaser</i>	N M Rothschild & Sons Limited, in its capacity as initial purchaser of the Notes from the Manager in accordance with the terms of the Subscription Agreement (in such capacity, the " Initial Purchaser ").
<i>Common Safekeeper</i>	HSBC Bank plc.
<i>Listing Agent</i>	Rabobank International will act as the listing agent in respect of the Notes (the " Listing Agent ").
<i>Registrar</i>	HSBC Bank plc. (in this capacity, the " Registrar ") will act as registrar in respect of the Class B Notes in accordance with the terms of the Paying Agency Agreement.
<i>Rating Agency</i>	Fitch Ratings Ltd.
<i>Arranger and Manager</i>	Rabobank International will act as arranger (" Arranger ") and manager (" Manager ").

MORTGAGE SALE AGREEMENT AND PORTFOLIO OF MORTGAGE LOANS

<i>Origination of Mortgage Loans</i>	All the Mortgage Loans were originated by or on behalf of the Originator and, on their date of origination, met in all material respects the Lending Criteria described below under " Underwriting Procedures " as applied by the Originator in advancing loans, except for the variations referred to in that section.
<i>Acquisition of Mortgage Loans by the Issuer</i>	The Issuer, the Originator and the Trustee will enter into a mortgage sale agreement (the " Mortgage Sale Agreement "), to be dated on or about the Closing Date, pursuant to which the Originator will immediately sell to the Issuer its right, title and interest in and to the Mortgage Loans, and the related Mortgages and Collateral Security.
<i>Representations and Warranties</i>	<p>The Mortgage Sale Agreement will contain certain warranties to be given by the Originator to the Issuer in respect of the Mortgage Loans, any Further Advances and Substitute Loans acquired after the Closing Date and, in each case, the related Mortgages and Collateral Security and any related Swap Transaction. These will include warranties in relation to the Lending Criteria, the origination of the Mortgage Loans and the status of the Mortgage Loans, which are summarised below under "<i>Mortgage Sale Agreement — Representations and Warranties</i>".</p> <p>If there arises a breach of any such warranty by the Originator, the Originator will, within ten Business Days of becoming aware of such breach, notify the Issuer and the Trustee in writing of the breach and whether such breach has, in the reasonable opinion of the Originator, a material and adverse effect on the Value (as defined below) of any of the Mortgage Loans (a "Relevant Breach"). The Originator will be required, if a Relevant Breach is capable of remedy, to remedy such Relevant Breach within 60 days of becoming aware of such breach. If the Relevant Breach is not capable of remedy, or is capable of remedy but is not remedied within the specified period, the Issuer or the Trustee may (without prejudice to any other legal remedies which they may have) serve on the Originator a notice (a "Notice of Relevant Breach") requiring the Originator to purchase or arrange for a refinancing or sale by the Issuer of the Mortgage Loan and the related Mortgage and Collateral Security for an amount equal to the then current outstanding balance of the Mortgage Loan.</p>
<i>The Expected Property Portfolio</i>	<p>The final portfolio of Properties securing the Mortgage Loans (the "Expected Property Portfolio"), will consist (assuming that all such Mortgage Loans and all such Further Advances (together, the "Expected Portfolio") are acquired by the Issuer) of the types of Properties as set out in the section "<i>Expected Portfolio</i>" below.</p> <p>The Expected Portfolio is expected, as at the Closing Date, to consist of 55 Mortgage Loans secured on 313 Properties, with a total of 1,071 tenants occupying premises within those Properties. On the basis of the valuations of the Properties, as calculated by reference to the relevant Valuations, the weighted average loan to value ratio of the Expected Portfolio as at the Cut-Off Date is 69.2 per cent.</p>
<i>Valuations of Properties</i>	Prior to making any advance under any Mortgage Loan, the Originator obtained from professional valuers an independent valuation of the Property or Properties charged or to be charged as security for such Mortgage Loan or Further Advances, as the case may be, as a condition precedent to the making of the advance to the relevant Borrower (each " Valuation "). No further or updated independent valuations of the Properties are required to be obtained, however for certain Properties, an updated valuation was obtained after the original advance. Accordingly, references in this Prospectus to valuations (including loan to value ratios and property values) are references to the

Valuations which were performed prior to making an advance under each Mortgage Loan except for those Properties where an updated valuation was obtained, when the references are to the updated valuation.

Summary of Certain Characteristics of the Expected Portfolio

The following is a summary of certain characteristics of the Expected Portfolio as at the Cut-Off Date:

	<i>Weighted Average</i>
LTV Ratio (%)	69.2%
ICR	135.7%
Debt service cover ratio ("DSCR ")	135.2%
Time to lease expiration date (years)	9.6
Remaining Term (months)	29.36
Seasoning (months)	88.06
Occupancy	89.5%

Note: see the corresponding notes for certain of the above items in "*The Expected Portfolio*".

Further Advances Fund

Certain Mortgage Loans have undrawn commitments ("**Undrawn Commitments**") in favour of the relevant Borrower which enable the relevant Borrower to request further advances (the "**Further Advances**") under the relevant Borrower Loan Agreement. As a result of these Further Advances, there are likely to be changes in respect of the financial coverage ratios and other loan data items relating to these Mortgage Loans as of the Cut-Off Date and as set out in this Prospectus.

On the Closing Date, the Issuer will apply a portion of the proceeds of the issue of the Notes in an amount equal to the Undrawn Commitments at the Closing Date to establish a fund (the "**Further Advances Fund**") to acquire the Originator's beneficial right, title and interest in such Further Advances, when made. The Further Advances Fund will be credited to an account in the name of the Issuer with the GIC Provider (the "**Further Advances Fund GIC Account**"). After the Closing Date and up to the Further Advances Fund Expiry Date, the Issuer may, at any time but subject to certain conditions, use all or a portion of the Further Advances Fund to acquire the Originator's beneficial interest in Further Advances made to the relevant Borrowers, together with the related Mortgages and Collateral Security.

Where Undrawn Commitments are cancelled either by the relevant Borrower or by the Servicer on behalf of the Originator (as lender of record), as a result of the expiry of the availability of such commitments under a Mortgage Loan or otherwise (an "**Undrawn Commitment Cancellation**") or on the Further Advances Fund Expiry Date, an amount equal to the Undrawn Commitment Cancellation will be released from the Further Advances Fund and applied on the next Payment Date (which will not be later than the Further Advances Fund Expiry Date) as Available Principal Receipts. See "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities*" below.

Substitute Loans

In accordance with the terms of the Mortgage Sale Agreement, the Originator may sell substitute loans (the "**Substitute Loans**") to the Issuer.

The Issuer will retain amounts in the Substitute Loans GIC Account to fund future acquisitions of Substitute Loans to be credited to an account in the name of the Issuer with the GIC Provider (the "**Substitute Loans GIC Account**"). The Originator shall, 3 Business days prior to each Payment Date, deliver a

notice (the "**Substitute Loans Retained Amount Notice**") to the Servicer specifying the required amount to be retained in the Substitute Loans GIC Account on such Payment Date (such amount, the "**Substitute Loans Retained Amount**").

If the Originator requests the Issuer to purchase Substitute Loans, it will deliver, 3 Business Days prior to the relevant Payment Date (the "**Substitute Loans Purchase Date**"), a purchase notice (the "**Substitute Loans Notice**") to the Issuer with details of the relevant Substitute Loans (including the Substitute Loans Purchase Price) to be sold on a Payment Date (the "**Substitute Loans Purchase Date**"), subject to (a) the relevant Substitute Loans satisfying the Substitution Criteria and (b) such Substitute Loans Purchase Date being prior to the Substitute Loans Acquisition Expiry Date.

"**Substitute Loans Purchase Price**" means in respect of the Substitute Loans, the amount of the consideration paid or to be paid to the Originator for the purchase of the Substitute Loans on the Substitute Loans Purchase Date, such amount being equal to the Principal Outstanding Balance of such Substitute Loans as at the Substitute Loans Purchase Date plus Deferred Consideration.

An amount equal to the Undrawn Commitment of the relevant Substitute Loan will be transferred to the Further Advance Fund GIC Account on the Substitute Loan Purchase Date.

Payments on the Mortgage Loans

None of the Mortgage Loans are Non-Performing Loans as at the date of this Prospectus and at least one payment has been made under each of the Mortgage Loans since the origination of those Mortgage Loans. The Mortgage Loans are repayable at their respective final maturity dates and some are subject to earlier amortisation in accordance with scheduled repayments set out in the relevant Borrower Loan Agreements.

Mortgages and Collateral Security

In respect of each Mortgage Loan, each Borrower or (in certain cases where the Borrower is not the mortgagor) each Mortgagor has executed a debenture or security agreement over all or certain of its assets in favour of the Originator (or a security trustee who holds such security in security trust for the Originator) as security for the Borrower's obligations under the relevant Mortgage Loan and other liabilities owing from time to time to the Originator under the relevant Borrower Loan Agreement and related finance documents (each a "**Debenture**"). All Mortgage Loans are secured by first legal mortgages or (in relation to Properties located in Scotland ("**Scottish Properties**")) first ranking standard securities, or first and sequentially lower ranking mortgages or (as applicable) standard securities over the relevant Properties (each a "**Mortgage**").

In some circumstances, the Borrower and the Mortgagor are the same legal entity securing the relevant Mortgage Loan. In other circumstances, the Borrower and the Mortgagor are not the same legal entity. In such cases, the Mortgagor is the owner of the relevant Property and may be a subsidiary or associated company of the Borrower. Where a Property is owned by a Mortgagor other than the relevant Borrower, such Mortgagor has executed a separate Debenture.

The Debenture entered into by each such Mortgagor or Borrower contains a first fixed charge by way of legal mortgage over, among other things, its interest in the relevant Property or Properties or (in relation to Scottish Properties) an undertaking to deliver a standard security over its interest in the relevant Property or Properties (a "**Scottish Mortgage**") and a floating charge over all its assets which are not subject to a fixed charge.

The security granted in favour of (or held in security trust for) the Originator in respect of a Mortgage Loan may also include the benefit of a subordination

agreement under which any other debt of the relevant Borrower is subordinated to the obligations to the Originator under the relevant Borrower Loan Agreement (each a "**Subordination Agreement**"). The Debentures, and Subordination Agreements and/or any other security are, together, referred to herein as the "**Collateral Security**" and any Collateral Security governed by Scots law is referred to herein as the "**Scottish Collateral Security**".

As described above under "*Acquisition of Mortgage Loans by the Issuer*", the Originator will, pursuant to the Mortgage Sale Agreement, on the Closing Date sell to the Issuer all its right, title and interest in, to and under the Mortgages and Collateral Security.

Insurance

Each Borrower or Mortgagor is required to effect or procure prior to drawdown under its Mortgage Loan (i) insurance of the relevant Property, including fixtures, on a full reinstatement basis, with not less than three years' loss of rent on occupational tenancies at the relevant Property; (ii) insurance against third party liabilities; (iii) insurance against acts of terrorism (where such insurance is generally available in the UK market on commercially reasonable terms), including loss of rent on the relevant Property for a minimum of three years as well as rebuilding costs; and (iv) such other insurance as a prudent company in the business of the relevant Borrower or Mortgagor would effect. With respect to the Mortgage Loans, the Originator's interest has been noted or is in the course of being noted on such policies or its interest is included in the relevant policies under a "general interest noted" provision or the Originator is a joint insured or co-insured under the relevant policy. Any such interest will be assigned to the Issuer or held on trust for the Issuer pursuant to the Mortgage Sale Agreement.

For a more detailed description of the insurance arrangements and the risks in relation thereto see "*Summary -Mortgage Sale Agreement and Portfolio of Mortgage Loans — Insurance*" and "*Underwriting Procedures — Mortgage Loan Criteria — Insurance*". For a description of the Servicer's responsibilities regarding the maintenance of insurance see "*Servicing — Insurance*".

THE NOTES AND CREDIT STRUCTURE

Status and Form

The Class A Notes will be constituted in bearer form and the Class B Notes will be constituted in registered form under the Trust Deed, which will be governed by English law.

The Notes will all share the same security, but, in the event of the security being enforced, the Class A Notes will rank higher in priority to the Class B Notes. See "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities*" below.

Class A Definitive Notes will be issued in certain limited circumstances (see "*Summary of Provisions Relating To Class A Notes In Global Form and the Class B Notes*").

Additional characteristics of each class of Notes are set out in the table on page 2 above.

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of the Class A Notes (the "**Class A Noteholders**") and the holders of the Class B Notes (the "**Class B Noteholders**" and, together with the Class A Noteholders the "**Noteholders**"), but where there is, in the Trustee's opinion, a conflict between such interests, the Trustee will be required to have regard only to the interests of the holders of the Class A Notes.

The Trust Deed will contain provisions limiting the powers of the holders of the Class B Notes, among other things, to pass any Extraordinary Resolution or to request or direct the Trustee to take any action which may affect the interests of the holders of the Class A Notes.

Limited Resources of the Issuer

The ability of the Issuer to meet its obligations under the Notes will depend on the receipt by it of principal and interest from the Borrowers under the Mortgage Loans and the receipt of funds (if due) from the Swap Counterparty under the Swap Agreement. If the timely payment of interest under the Mortgage Loans is not made in full, the Issuer will also have available to it (subject to satisfaction of the conditions for drawing) drawings under the Liquidity Facility Agreement to fund payments in respect of interest payments in respect of the Class A Notes. Other than the foregoing, prior to the enforcement of the Security, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes or its obligations in respect of any payments ranking in priority to or *pari passu* with the Notes.

Interest

Each Note will bear interest on its Principal Amount Outstanding from and including the Closing Date. Interest will be payable in respect of the Notes in Sterling monthly in arrear on the 10th day of each month or, if such day is not a Business Day, the next following Business Day (unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each such day being a "**Payment Date**"). The first Payment Date in respect of each class of Notes will be the Payment Date falling in December 2008.

The interest rate applicable to the Notes from time to time will be determined by reference to LIBOR for one month or, in the case of the first Interest Period, the interpolation of 1-month and 2-month Sterling deposits plus the relevant margin (the "**Relevant Margin**").

Interest in respect of any of the Notes for any period will be calculated on the basis of actual days elapsed and a 365-day year.

Failure by the Issuer to pay interest on the Class A Notes when due and

payable will result in an Event of Default (as defined in the Conditions), which may result in the Trustee enforcing the Security. To the extent that funds available to the Issuer on any Payment Date, after paying any interest then accrued due and payable on the Class A Notes, are insufficient to pay in full interest otherwise due on the Class B Notes then outstanding, this will not constitute an Event of Default in the following circumstances: if on any Payment Date (other than the Final Maturity Date or, if earlier, the date on which all of the Notes are redeemed) there is any amount of interest in respect of the Class B Notes which is due but not paid on such Payment Date (the "**Class B Interest Amount Arrears**") such amounts shall not be regarded as payable on such date and shall accrue interest during the Interest Period in which such Payment Date falls in accordance with Condition 7.12 (*Default Interest*). No Interest Amount payable in relation to the Class A Notes shall be deferred pursuant to Condition 7.10 (*Deferral of Interest Amount Arrears*).

Withholding Tax

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, levies, duties, imposts, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In such event, the Issuer or such Paying Agent will make such payment after the withholding or deduction has been made. Neither the Issuer nor any Paying Agent nor any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. However, see "*Optional Redemption in Full*" below and Condition 8.7 (*Optional Redemption in whole for taxation reasons*) for a description of the Issuer's right to redeem the Notes in case of certain tax events, including the imposition of withholding taxes.

Security for the Notes

The obligations of the Issuer to the Trustee (for itself and on behalf of the Noteholders) any receiver or other appointee of the Trustee, the Noteholders, the Corporate Services Provider, the Servicer, the Liquidity Facility Provider, the Swap Counterparty, the Paying Agents, the Agent Bank, the Registrar, the Issuer Account Bank, the GIC Provider, the Expenses Loan Provider and the Originator (together, the "**Secured Parties**") will be secured in favour of the Trustee by and pursuant to the Security Deed, which will be governed by English law and will be entered into on or about the Closing Date.

Final Maturity Date

Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued interest on the Payment Date falling in October 2022 (the "**Final Maturity Date**").

Mandatory Redemption in Part

Unless the Trustee has served an Enforcement Notice, the Notes will be subject to mandatory redemption in part in the manner described in "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities*". See further Condition 8.3 (*Mandatory redemption in part*).

Optional Redemption in Full

The Notes will be subject to optional redemption in full by the Issuer, but not in part, in the following circumstances, and subject as provided in the Conditions on any Payment Date:

- (a) if the aggregate Principal Amount Outstanding of the Class A Notes then outstanding is less than 30 per cent. of the initial Principal Amount Outstanding of the Class A Notes issued on the Closing Date; or
- (b) on or after the date on which the Issuer is to make any payment in respect of the Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment (**provided that** the Issuer or the Swap Counterparty has taken such steps as are reasonable

in the circumstances and contemplated by the Swap Agreement to avoid such Tax Deduction from arising); or

- (c) after the date on which, by virtue of a change in the Tax law of the United Kingdom (or the application or official interpretation of such Tax law), the Issuer is or will be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period; or
- (d) on or after the date of a change in the Tax law of the United Kingdom (or the application or official interpretation of such Tax law) which would cause the amount payable in respect of interest in relation to any of the Mortgage Loans to cease to be received or receivable in whole or in part by the Issuer, including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to the relevant Mortgage Loans.

See "*Resources Available to the Issuer — Issuer Pre-Enforcement Payments Priorities*" below. See also Conditions 8.6 (*Optional Redemption in whole*) and 8.7 (*Optional Redemption in whole for taxation reasons*).

Liquidity Facility

The Liquidity Facility will be a 364-day committed facility in an amount equal to the "**Liquidity Facility Amount**", which will mean, a maximum aggregate amount equal to the higher of (i) 3.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date being £245,550,000, and (ii) 8.7% per cent. of the Principal Amount Outstanding of the Class A Notes at any time.

The Liquidity Facility will be renewable with the consent of the Liquidity Facility Provider. The Issuer will, subject to certain conditions, be entitled to make drawings under the Liquidity Facility Agreement, to the extent that the facility is available thereunder, from time to time to cover any Liquidity Shortfall.

See "*Resources Available to the Issuer — Liquidity Facility*" below.

Reserve Account

An account designated the "Real Estate Capital No.7 Reserve Account" (the "**Reserve Account**") will be established in the name of the Issuer at the Issuer Account Bank. Amounts shall be deposited in the Reserve Account on each Payment Date where a Reserve Fund Trigger Event has occurred and is continuing, pursuant to item (g) of the Pre-Enforcement Revenue Payments Priorities up to the Reserve Required Amount.

The Issuer will be obliged to maintain the Reserve Account up to the Reserve Required Amount. Amounts standing to the credit of the Reserve Account will be applied in accordance with the Pre-Enforcement Revenue Payments Priorities.

The "**Reserve Required Amount**" means:

- (i) on the Closing Date, £0;
- (ii) following the occurrence of a Reserve Fund Trigger Event £25,000,000; and
- (iii) if a Reserve Fund Trigger Event is no longer continuing, £0.

The "**Reserve Fund Trigger Event**" means (a) the long term unsecured, unsubordinated debt obligations of NMR are downgraded below BBB by Fitch, (b) NMR fails to perform any of its obligations which would have a material adverse effect under the Primary Transaction Documents (c) the

Principal Outstanding Balance of the Mortgage Loans that are Non-Performing Loans exceeds 5% at any time of the Principal Outstanding Balance of the Mortgage Loans in the Portfolio or (d) the cumulative Principal Loss in relation to the Portfolio exceeds 2% of the Principal Outstanding Balance at the Closing Date of all Mortgage Loans in the Portfolio.

If a Reserve Fund Trigger Event is no longer continuing, amounts credited to the Reserve Account on the immediately following Payment Date shall form part of the Available Revenue Receipts and be applied in accordance with the Pre-Enforcement Revenue Payments Priorities.

Hedging

The Issuer will hedge its interest rate exposure in relation to the amounts to be received by it under certain of the Mortgage Loans or certain tranches under the relevant Mortgage Loans, as compared to its payment obligations under the Notes, by entering into the Swap Agreement and the Swap Transaction thereunder with the Swap Counterparty.

Under the terms of the Swap Agreement, the Issuer will pay to the Swap Counterparty on each Payment Date, *inter alia*, a portion of the payments payable by the relevant Borrowers during the relevant Collection Period while the Swap Counterparty will pay to the Issuer an amount determined by reference to one-month LIBOR.

GIC Accounts

Pursuant to the GIC Agreement (the "**GIC Agreement**"), the GIC Provider will open and maintain guaranteed investment accounts, as applicable, in the name of the Issuer being the Substitute Loans GIC Account and the Further Advances Fund GIC Account, together, referred to as the "**GIC Accounts**" and "**GIC Account**" means any one of them as the context may require.

Principal Deficiency Ledgers:

A Class A Principal Deficiency Ledger and a Class B Principal Deficiency Ledger will be set up to record the aggregate Principal Losses for all Mortgage Loans. Any such Principal Losses shall be debited firstly to the Class B Principal Deficiency Ledger in an amount up to the Principal Amount Outstanding of the Class B Notes and, then, to the extent that the amount of the Principal Losses exceeds the Principal Amount Outstanding of the Class B Notes, such excess shall be debited to the Class A Principal Deficiency Ledger, in an amount up to the Principal Amount Outstanding of the Class A Notes. The amount recorded as a debit entry to the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger shall be reduced on each Payment Date, *pro tanto*, in accordance with items (f) and (i), respectively, of the Pre-Enforcement Revenue Payments Priorities.

Pre-Enforcement Revenue Payments Priorities

Prior to an Enforcement Notice being given, the Issuer will apply the Available Revenue Receipts in the following order of priority (the "**Pre-Enforcement Revenue Payments Priorities**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full including in respect of VAT thereon), all as more fully set out in the Servicing Agreement:

- (a) *first*, to pay the relevant party entitled thereto (or make provision for) on a *pro rata* and *pari passu* basis, the Prior Ranking Expenses (as defined in the Incorporated Terms Memorandum) (whether paid by the Borrower or by the Originator on behalf of the Borrower) falling due on such Payment Date or prior to the next Payment Date or, to the extent that such sums have not been provided for, amounts which have been paid by the Borrower or the Originator during the period since the immediately preceding Payment Date;
- (b) *second*, in or towards payment or discharge of any amounts due and payable by the Issuer on such Payment Date to (i) the Trustee, any appointee of the Trustee and any receiver appointed by or on behalf of

the Originator or the Issuer under a Mortgage Loan or its Mortgage or Collateral Security under the Primary Transaction Documents, *pari passu* and *pro rata*; then (ii) the Paying Agents, the Agent Bank and the Registrar under the Paying Agency Agreement, *pari passu* and *pro rata*; then (iii) any amounts due to the Servicer (or any other person entitled thereto) pursuant to the Servicing Agreement (other than the Servicing Fee) and to the Servicer (or any other person entitled thereto) in respect of the Servicing Fee; then (iv) the Corporate Services Provider under the Corporate Services Agreement; then (v) the Issuer Account Bank under the Issuer Account Bank Agreement and the Liquidity Reserve Account Bank under the Liquidity Reserve Account Bank Agreement, *pari passu* and *pro rata*; then (vi) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any amounts of principal and interest and fees due and payable under the Liquidity Facility Agreement then (vii) the GIC Provider under the GIC Agreement;

- (c) *third*, in or towards payment or discharge of sums due to third parties under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to fall due in the following Interest Period and the payment of the Issuer's liability to value added tax (if any) and to corporation tax;
- (d) *fourth*, in or towards payment or discharge of all amounts due to the Swap Counterparty in respect of the Swap Agreement including termination payments (except for such amounts as are payable under item (m) below);
- (e) *fifth*, in or towards payment or discharge, *pro rata* and *pari passu*, of interest due and interest overdue (and any interest due on such overdue interest) on the Class A Notes;
- (f) *sixth*, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (g) *seventh*, if a Reserve Fund Trigger Event is occurring, to the Reserve Account until the credit balance of the Reserve Account reaches the Reserve Required Amount;
- (h) *eighth*, in or towards payment or discharge, *pro rata* and *pari passu* of interest due and interest overdue (and any interest due on such overdue interest) on the Class B Notes;
- (i) *ninth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards payment or discharge of any amounts payable to the Liquidity Facility Provider in respect of withholding taxes or increased costs as a result of a change in law or regulation and any other amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (k) *eleventh*, to retain £85 or, in respect of any Payment Date falling on or before November 2009, £6,666 (such amount (the "**Issuer Profit Amount**") to be transferred on such Payment Date to the Issuer Transaction Account);
- (l) *twelfth*, in or towards, first, payment of interest on and, secondly, repayment of the principal amount due under the Expenses Loan

Agreement;

- (m) *thirteenth*, in or towards payment or discharge of any amounts due and payable by the Issuer on such Payment Date to the Swap Counterparty under the Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement); and
- (n) *fourteenth*, in or towards payment or discharge of any Deferred Consideration payable to the Originator.

***Pre-Enforcement
Principal Payments
Priorities***

Prior to an Enforcement Notice being given, Available Principal Receipts will be applied in accordance with the following order of priority (the "**Pre-Enforcement Principal Payments Priorities**") **provided that** Available Principal Receipts may be applied, first, in purchasing Notes in accordance with Condition 8.11 (*Purchase and cancellation*).

On any Payment Date, all Available Principal Receipts will be applied to make the following payments:

- (a) *first*, amounts equal to (i) the Substitute Loans Retained Amount specified in the relevant Substitute Loans Notice to the Substitute Loans GIC Account, (ii) the Substitute Loans Purchase Price in respect of any Substitute Loans to be purchased on such Payment Date to the Originator and (iii) any Undrawn Commitments in respect of any Substitute Loans to be purchased on such Payment Date to the Further Advances Fund GIC Account;
- (b) *second*, in or towards payment or discharge of any amounts owing to the Liquidity Facility Provider with respect to a LF Revolving Drawing or a LF Withdrawal pursuant to the Liquidity Facility Agreement to the extent that such amounts have not been paid to the Liquidity Facility Provider in accordance with item (b)(vi) of the Pre-Enforcement Revenue Payments Priorities on such Payment Date;
- (c) *third*, in or towards payment or discharge, *pro rata* and *pari passu*, of the aggregate Principal Amount Outstanding in respect of the Class A Notes until all of the Class A Notes have been redeemed in full;
- (d) *fourth*, in or towards payment or discharge, *pro rata* and *pari passu*, of the aggregate Principal Amount Outstanding in respect of the Class B Notes until all of the Class B Notes have been redeemed in full; and
- (e) *fifth*, any excess to be applied on such Payment Date as Revenue Receipts.

***Payments Priorities upon
Enforcement***

The Security will become enforceable upon the Trustee giving an Enforcement Notice or if any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court. Following enforcement of the Security, the Trustee will be required to apply all funds (other than funds standing to the credit of the Liquidity Reserve Drawing Account which shall be repaid to the Liquidity Facility Provider and amounts representing Prior Ranking Expenses) received or recovered by it in accordance with the following order of priority (the "**Post-Enforcement Payments Priorities**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full, including in respect of any VAT thereon, all as more fully set out in the Security Deed:

- (a) *first*, in or towards satisfaction of any amounts due and payable by the Issuer to (i) the Trustee, any appointee of the Trustee and any receiver appointed by or on behalf of the Trustee under the Security Deed or any receiver appointed by or on behalf of the Originator or the Issuer under a Mortgage Loan or its Mortgage or Collateral Security, *pari passu* and *pro rata* under the Primary Transaction Documents; then (ii) the Paying Agents, the Agent Bank and the Registrar under the Paying Agency Agreement, *pari passu* and *pro rata*; then (iii) the Servicer (or any other person then entitled thereto) in respect of the Servicing Fee and any other amounts due to the Servicer (or any other person then entitled thereto) pursuant to the Servicing Agreement; then (iv) the Corporate Services Provider under the Corporate Services Agreement; then (v) the Issuer Account Bank under the Issuer Account Bank Agreement and the Liquidity Reserve Account Bank under the Liquidity Reserve Account Bank Agreement, *pari passu* and *pro rata*; (vi) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any amounts of principal and interest, fees and any other amounts due and payable under the Liquidity Facility Agreement then (vii) the GIC Provider under the GIC Agreement;
- (b) *second*, in or towards payment or discharge of all amounts due to the Swap Counterparty in respect of the Swap Transaction including termination payments (except for such amounts as are payable under item (g) below);
- (c) *third*, in or towards payment or discharge, *pro rata* according to the respective amounts due in or towards payment, *pro rata* and *pari passu* of (i) interest due or overdue (and all interest due on such overdue interest) on the Class A Notes and, after payments of all such interest amounts, (ii) all amounts of principal due or overdue on the Class A Notes and all other amounts due in respect of the Class A Notes until the outstanding principal balance of the Class A Notes is reduced to zero;
- (d) *fourth*, in or towards payment or discharge, *pro rata* according to the respective amounts due in or towards payment, *pro rata* and *pari passu* of (i) interest due or overdue (and all interest due on such overdue interest) on the Class B Notes and, after payments of all such interest amounts, (ii) all amounts of principal due or overdue on the Class B Notes and all other amounts due in respect of the Class B Notes until the outstanding principal balance of the Class B Notes is reduced to zero;
- (e) *fifth*, to retain £85 or, in respect of any Payment Date falling on or before November 2009, £6,666 (such amount (the "**Issuer Profit Amount**") to be transferred on such Payment Date to the Issuer Transaction Account);
- (f) *sixth*, in or towards, first, payment of interest on and, secondly, repayment of the principal amount outstanding of the Expenses Loan;
- (g) *seventh*, in or towards satisfaction of any amounts due and payable by the Issuer to the Swap Counterparty under the Swap Agreement in respect of any payments due by the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement);
- (h) *eighth*, in or towards satisfaction of all amounts then owed or owing to the Originator under the Mortgage Sale Agreement on any account

whatsoever; and

- (i) *ninth*, any surplus to the Issuer or other persons entitled thereto.

Post-Enforcement Call Option

If the Trustee determines, in its sole opinion and discretion, that all amounts outstanding under the Notes have become due and payable and that there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Security or otherwise) being available to pay amounts outstanding under the Notes, Holdco will have the option to purchase all Notes then outstanding for a consideration of one penny in respect of each Note. See "*The Issuer and the Corporate Services Provider*" and Condition 9 (*Post-Enforcement Call Option*) below.

Ratings

The Class A Notes are, upon issue, expected to be given the ratings by Fitch as set out in the table on page 2. The Class B Notes will not be rated.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation and, among other things, will depend on the performance of the Mortgage Loans in the Portfolio.

Listing

Application has been made to the Stock Exchange for the Class A Notes to be admitted to trading on Euronext Amsterdam.

Settlement

The Class A Notes are expected to settle in book entry form through the facilities of Euroclear Bank S.A./N.V. of Herengracht 459-469, 1017 BS Amsterdam ("**Euroclear**") and Clearstream Banking, société anonyme of 42 Avenue JF Kennedy, L-1855 Luxembourg ("**Clearstream, Luxembourg**"). The Class B Notes will be issued in certificated form.

Governing Law

The Notes and the Trust Deed will be governed by English law.

CASH MANAGEMENT AND PAYMENTS PRIORITIES

Available Funds

The payment of principal and interest by the Borrowers in respect of the Mortgage Loans will provide the principal source of funds for the Issuer to make repayments of principal and payments of interest in respect of the Notes.

Funds paid into the Issuer Transaction Account

One day before each Payment Date, subject to adjustment for non-Business Days, being the 10th day of each month in each year, the Servicer will transfer from the Originator Account to the Issuer Transaction Account an amount in respect of interest, principal and fees and other amounts paid by the Borrowers under the Borrower Loan Agreements.

However, if NMR ceases to be rated F1 or higher by Fitch or if on any Business Day an amount in excess of £15,000,000 representing principal and interest payments from the Borrowers is standing to the credit of the Originator Account, the Servicer will transfer amounts from the Originator Account to the Issuer Transaction Account, two Business Days following receipt into the Originator Account. If NMR ceases to be rated F2 or better by Fitch, NMR will arrange for the amounts standing to the credit of the Originator Account to be guaranteed by an Authorised Entity.

On each Payment Date, the Servicer shall transfer the Issuer Profit Amount to the Issuer Transaction Account in accordance with item (k) of the Pre-Enforcement Revenue Payments Priorities and item (e) of the Post-Enforcement Payments Priorities.

Amounts standing to the credit of the Issuer Transaction Account from time to time will be referable to, among other things, Revenue Receipts, Recoveries, Principal Receipts, Principal Prepayments, Prepayment Charges and Final Principal Payments, in each case as defined in the Conditions.

Available Revenue Receipts

On each such Payment Date, all Revenue Receipts transferred by or at the direction of the Servicer into the Issuer Transaction Account during the Collection Period ended on such Payment Date, plus any Recoveries made during such Collection Period, plus any funds standing to the credit of the Reserve Account on such date, plus the Swap Counterparty Interest Payment, plus any Prepayment Charges made during such Collection Period (the "**Available Revenue Receipts**", in respect of such Payment Date, and as determined by the Servicer) will be applied in accordance with the Pre-Enforcement Revenue Payments Priorities in each case only to the extent that payments and provisions of a higher priority have been made in full. See "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities*".

Available Principal Receipts

The Servicer will be required to calculate on each Calculation Date in respect of the Collection Period ending on the immediately following Payment Date the Principal Receipts, the Principal Prepayments, the Final Principal Payments and the Available Principal Receipts.

The Principal Receipts calculated on each Calculation Date together with any amounts credited to the Principal Deficiency Ledger and any amounts standing to the credit of the Substitute Loans GIC Account are collectively referred to as the "**Available Principal Receipts**" for the purposes of the Payment Date immediately following such Calculation Date.

Subject as provided below, on each Payment Date, Available Principal Receipts will be applied from the Issuer Transaction Account in accordance with the applicable Pre-Enforcement Principal Payments Priorities.

See "*Resources Available to the Issuer — Pre-Enforcement Payments Priorities — Available Principal Receipts*" and Conditions 8.3 (*Mandatory*

redemption in part).

RISK FACTORS

The following is a summary of certain issues of which prospective Noteholders should be aware, but it is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.

Considerations Relating to the Mortgage Loans

The Issuer's Ability to Meet its Obligations under the Notes: Default by Borrowers

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Borrowers under the Mortgage Assets, payments under the Swap Agreement and drawings under the Liquidity Facility Agreement. If, on default by a Borrower and following the exercise by the Servicer of all available remedies in respect of the relevant Mortgage Loan, Mortgage(s) and Collateral Security, the Issuer does not receive the full amount due from the Borrowers, then the Issuer may be unable to pay to the Noteholders (or the holders of certain classes of Notes) (a) by way of principal repayment, the entire face value of their Notes and (b) by way of interest payment, the full amount due on their Notes. The Issuer does not guarantee or warrant full and timely payment by the Borrowers of any sums.

The ability of the Borrowers to meet their obligations under the relevant Mortgage Loans will be dependent on the receipt by them of rent from the occupational tenants of the relevant Property or Properties. If such tenants default in their obligations to pay rent (for example, by reason of their insolvency), such Borrower may not be able to service its obligations under the relevant Mortgage Loan.

Each Borrower Loan Agreement contains provisions requiring the relevant Borrower to make a repayment of principal on the scheduled final maturity date of the relevant Mortgage Loan. The Borrower's ability to repay its Mortgage Loan on that scheduled final maturity date may be dependent upon its ability to refinance its Mortgage Loan or to sell the Property or Properties financed by that Mortgage Loan. Factors affecting the ability to refinance a Property include (a) interest rates and (b) investment yields expected by investors in commercial properties at that time. Neither the Issuer nor the Originator is under any obligation to provide any such refinancing and there can be no assurance that a Borrower would be able to refinance its Mortgage Loan, that a Borrower/Mortgagor would be able to sell its Property or Properties or that a Borrower would be able to make up any shortfall from other resources (if any) available to it.

Failure by a Borrower to refinance the relevant Mortgage Loan or by the Borrower/Mortgagor to sell its Property or Properties at the scheduled final maturity date may result in such Borrower defaulting on such Mortgage Loan. In the event of such a default, the Issuer may be unable to pay to the Noteholders, or the holders of certain classes of Notes, (a) by way of principal repayment, the entire face value of their Notes and (b) by way of interest payment, the full amount due on the Notes.

The Issuer's Ability to Meet its Obligations under the Notes: the Properties

The Mortgage Loans will be secured by, among other things, the Mortgages over the relevant Property or Properties. The repayment of each Mortgage Loan in part may be, and the payment of interest on each Mortgage Loan is, dependent on the ability of the applicable Property or Properties to produce cash flow. However, the income-producing capacity of the Properties may be adversely affected by a large number of factors. Some of these factors relate specifically to a Property itself, such as: (i) the age, design and construction quality of the Property; (ii) perceptions regarding the safety, convenience and attractiveness of the Property; (iii) the proximity and attractiveness of competing properties; (iv) the adequacy of the Property's management and maintenance; (v) an increase in the capital expenditure needed to maintain the Property or make improvements; (vi) a decline in the financial condition of a major tenant and the creditworthiness generally of tenants; (vii) a decline in rental rates as leases are renewed or entered into with new tenants; and (viii) the length of tenant leases.

Other factors are more general in nature, such as: (i) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (ii) local property conditions from time to time (such as an oversupply or undersupply of warehouse, retail or office space); (iii) demographic factors; (iv) consumer confidence; (v) consumer tastes and preferences; (vi) retrospective changes in building codes or other regulatory changes; (vii) changes in governmental regulations, fiscal

policy, planning/zoning or tax laws; (viii) potential environmental legislation or liabilities or other legal liabilities; (ix) the availability of refinancing; and (x) changes in interest rate levels.

In particular, a decline in the property market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short term revenue sources and may lead to higher rates of delinquency or defaults.

Any one or more of the above described factors or others not specifically mentioned could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property, which could in turn cause the relevant Borrower to default on its Mortgage Loan, reduce the chances of a Borrower refinancing a Mortgage Loan or reduce a Borrower/Mortgagor's ability to sell a Property.

The Issuer's Ability to Meet its Obligations under the Notes: the Tenants

A Borrower's ability to make its payments under a Mortgage Loan will also be dependent on payments being made by the tenants of the relevant Property. Where a Borrower or Mortgagor as landlord is in default of its obligations under a tenancy, a right of set-off could be exercised by a tenant of the relevant Property in respect of its rental obligations. In respect of a multi-tenanted Property, a Borrower or Mortgagor would normally be obliged to provide services in respect of the Property irrespective of whether certain parts of the Property are unlet. The Borrower or Mortgagor landlord, in such circumstances, would have to meet any shortfall in recovering the costs of the services or risk the tenants exercising any right of set-off. Tenants' rights of set-off and similar equities, which accrue until such time as the Originator takes possession following enforcement, will also be binding on the Originator as mortgagee or (in relation to Scottish Properties) heritable creditor following the Closing Date.

The terms of the tenancies might affect the realisable value of the Properties. Each Borrower Loan Agreement provides that no lease above certain minimum thresholds may be granted by the Borrower thereunder (or an affiliate of the Borrower) without the consent of the Originator as lender under the Borrower Loan Agreement, which discretion will be exercised by the Servicer. Granting or assigning a lease to any other entity is otherwise unrestricted to the extent permitted by Section 99 of the Law of Property Act 1925, as applicable (which, broadly, allows the grant of leases at market rent for terms of up to 50 years). Each Borrower Loan Agreement also provides that such lease should be granted on normal commercial terms.

In the case of leasehold Properties (or leasehold parts of such Properties), which comprise 9.7 per cent. of the Portfolio which are sublet (by a Borrower or Mortgagor), there is also a risk of the rents being diverted to a superior landlord by a notice under Section 6 of the Law of Distress Amendment Act 1908 (or, in Scotland, by a legal process known as arrestment) if the relevant Borrower or Mortgagor fails to pay its rent under the relevant headlease. It may also be diverted voluntarily by the subtenant (in England and Wales) in accordance with Section 21 of that Act. The remainder of the Properties are freehold or (in relation to Scottish Properties) heritable properties.

Any one or more of the factors described above could operate to have an adverse effect on the amount of income derived from a Property or the income capable of being generated from that Property, which could in turn cause the Borrower in respect of such Property to default on its Mortgage Loans, reduce the chances of a Borrower refinancing a Mortgage Loan or reduce a Borrower/Mortgagor's ability to sell a Property.

Property Owners' Liability to Provide Services

In relation in particular to large retail or office developments, there are parts of certain properties which are not intended to be let to tenants, but instead comprise common areas such as service ways, public arcades and other communal areas which are used by tenants and visitors to the property collectively, rather than being attributable to one particular unit or tenant. Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining common areas calculated with reference, among other things, to the size of the premises demised by the relevant tenancy and the amount of use which such tenant is reasonably likely to make of the common areas. The contribution forms part of the service charge payable to the landlord (in addition to the principal rent) in accordance with the terms of the relevant tenancy.

The liability of the landlord in each case to provide the relevant services is, however, not conditional upon all such contributions being made and consequently any failure by any tenant to pay the service charge contribution on the due date or at all would oblige the landlord to make good the shortfall from its own monies. The landlord would also need to pay from their own monies service charge contributions in respect of any vacant units.

Limited Liquidity of Mortgage Loans

The ability of the Issuer to redeem all of the Notes in full while any of the Mortgage Loans are still outstanding, including after the occurrence of an Event of Default in relation to the Notes, may depend upon whether the Mortgage Loans can be sold, otherwise realised or refinanced so as to obtain an amount sufficient to redeem the Notes. There is not yet an active and liquid secondary market for commercial loans and related mortgages or standard securities and collateral security in the United Kingdom. It may be that neither the Issuer nor the Trustee is able to sell or refinance the Mortgage Loans on appropriate terms should either of them be required to do so.

Risks Relating to Loan Concentration

In relation to any pool of loans, there is a risk that loan losses will be more severe if the pool is comprised of a small number of loans, each with a relatively large principal amount or if the losses relate to loans that account for a disproportionately large percentage of the pool's aggregate principal balance. Losses on any Mortgage Loan may have an adverse effect on the ability of the Issuer to make payments under the Notes.

In addition, concentrations of Properties in one sector may increase the risk that adverse economic or other developments affecting a particular industry sector could increase the frequency and severity of losses on loans secured by such Properties. Details of the types of Properties comprised in the Expected Property Portfolio are set out in "*The Expected Portfolio*". There is a risk in relation to retail properties that volatility in the valuation of properties and expected yields, decreased spending by consumers as a result of increasing levels of personal debt, increases in interest rates or otherwise could adversely affect the ability of the relevant Borrowers to service their Mortgage Loans (and indirectly the Issuer's ability to service the Notes).

Finally, concentrations of Properties in geographic areas may increase the risk that adverse economic or other developments or a natural disaster affecting a particular region could increase the frequency and severity of losses on loans secured by such Properties. Details of the location of the various Properties are set out in "*The Expected Portfolio*".

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by, among others, a local or public authority or a governmental department generally in connection with proposed redevelopment or infrastructure projects.

If a compulsory purchase order were made in respect of a Property (or part thereof), compensation would be payable on the basis of the open market value of all the proprietary interests of the relevant Borrower or Mortgagor and the tenants in the Property (or part thereof) at the time of the relevant purchase. The relevant freehold or (as applicable) heritable estate and any tenancy would both be acquired and the tenants would cease to be obliged to make any further rental payments to the Borrower or Mortgagor (as applicable) under the relevant tenancy. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or (as applicable) heritable or leasehold estate, when aggregated with the proceeds of repayments under the relevant Borrower Loan Agreement, may be less than the corresponding Principal Amount Outstanding on the Notes together with accrued interest.

In addition, there is often a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and entity acquiring the property to agree on the open market value. Should such a delay occur in the case of a Property, then, unless the Borrower has other funds available to it, an event of default may occur under the relevant Borrower Loan Agreement. Following the payment of compensation, the Borrower will be required to prepay all or such part of the amounts owing by it under the Borrower Loan Agreement as is

equivalent to the compensation payment received, such prepayment being used by the Issuer to redeem the Notes (or part thereof).

Frustration

A tenancy could, in exceptional circumstances, be frustrated under English law or Scots law, whereupon the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party thereto, so that it would be inequitable for such an agreement or agreements to continue. Under the equivalent Scots law principal of *rei interitus*, a lease will (subject to express agreement to the contrary) automatically be terminated if the leased property is destroyed to the extent that it is no longer tenantable or if any event occurs which otherwise precludes the performance of the parties' rights and obligations under the lease. If an occupational lease of a Property were to be frustrated, the relevant Borrower's ability to generate cash flow would be compromised, as would its ability to make payments of interest and repayments of principal on its Mortgage Loan.

Prepayment Risk

A high prepayment rate in respect of the Mortgage Loans will result in a reduction in interest receipts on the Mortgage Loans by the Issuer and therefore may increase the risk of a shortfall in the monies available to be applied by the Issuer in making payments of interest on the Notes. The prepayment risk will, in particular, be borne by the holders of the Class B Notes.

As some Mortgage Loans bear interest at a higher rate than others, the order in which the Mortgage Loans are prepaid will affect the amount of revenue available to make payments in respect of the Notes, particularly towards the end of the transaction.

Breach of warranty in relation to the Mortgage Loans, Mortgages and Collateral Security

Neither the Issuer nor the Trustee has undertaken or will undertake its own investigations, searches or other actions as to the status of the Borrowers or Mortgagors. However, certain of the reports provided by professional advisers to the Originator (including solicitors and valuers) have been drafted such that the benefit thereof may be assigned to, and can be directly relied upon by, the Issuer. Other than that, the Issuer and the Trustee each will rely instead on the warranties given by the Originator and the Servicer in respect of the matters referred to in, respectively, the Mortgage Sale Agreement (see further "*Mortgage Sale Agreement — Representations and Warranties*") and "*Servicing – Representations and Warranties*"). If any breach of warranty under the Mortgage Sale Agreement is material and (if capable of remedy) is not remedied, the only recourse of the Issuer and the Trustee against the Originator will be to require the Originator to repurchase the relevant Mortgage Loan. See further "*Risk Factors – Valuers and Solicitors*" below.

Insurance

The interest of the Originator has been or will be noted on each buildings insurance policy maintained in respect of each Property or is otherwise included or will be included by the relevant insurers under a "general interest noted" provision in the relevant buildings insurance policy, which forms or will form part of the Collateral Security in respect of the relevant Mortgage Loan. Alternatively, the Originator has been named as a joint insured or co-insured along with the relevant Borrower or Mortgagor. Noting a party's interest on a policy, however, does not entitle that party to a share in the proceeds, although it is generally the practice for insurers in the United Kingdom to notify the party whose interest is noted if the policy lapses.

On the Closing Date, the Issuer will acquire the Originator's beneficial interest in the Mortgages and Collateral Security (other than in relation to (i) the PS-A Mortgage Loans where the Issuer will also acquire legal title and (ii) the PS-B Mortgage Loans where the Issuer will acquire the Originator beneficial interest in the relevant Mortgages and Collateral Security after the Closing Date on execution of the relevant transfer document), and the Issuer's beneficial interest in the Collateral Security will form part of the Issuer Security secured under the Security Deed in favour of the Trustee for the benefit of, among others, the Noteholders.

Privity of Contract

The Landlord and Tenant (Covenants) Act 1995 (the "**Covenants Act**") provides that, in relation to leases of property in England and Wales granted after 1 January 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents, including the consent of the landlord if required by the lease), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into whereby, on assignment of a lease of commercial property, the original tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord. Such an authorised guarantee relates only to the obligations under the lease of the original assignee of the original tenant and not any subsequent assignees of the original assignee. The same principles apply to an original assignee if it assigns the lease.

The Covenants Act does not apply in Scotland. In Scotland, under common law upon assignation of the tenant's interest, the tenant's liability to the landlord ceases, subject to any express contractual agreement to the contrary. It is not usual for a guarantee from the outgoing tenant to be obtained in Scotland, it being generally in the power of the landlord to withhold consent to the assignation if it is not satisfied with the covenant of the proposed assignee.

To the extent any occupational leases in respect of the Properties in England as at the Closing Date were entered into before 1 January 1996 or pursuant to agreements for lease in existence before 1 January 1996, because the Covenants Act has no retrospective effect, the original tenant of a lease of any such Property will remain liable under these leases notwithstanding any subsequent assignments, subject to any express releases of the tenant's covenant on assignment. In such circumstances, the first and every subsequent assignee would normally covenant with his predecessor to pay the rent and observe the covenants in the lease and would give an appropriate indemnity in respect of those liabilities to his predecessor in title, and thereby create a "chain of indemnity".

There can be no assurance that any assignee of a lease of premises within a Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who in the context of a new tenancy will not be covered by the original tenant's authorised guarantee) will be of a similar credit quality.

Statutory Rights of Tenants

In certain limited circumstances, tenants of a property may have legal rights to require the landlord of that property to grant them tenancies, for example pursuant to the Landlord and Tenant Act 1954 or the Covenants Act (both of which statutes apply to the Properties in England and Wales only). Should such a right arise, the landlord may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court or being the same as those under the previous tenancy of the relevant premises. Accordingly, while it is the general practice of the courts in renewals under the Landlord and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time and there can be no guarantee as to the terms on which any such new tenancy will be granted.

There are no equivalent statutory rights in relation to tenants of Scottish Properties, save that, in the case of retail premises, the Tenancy of Shops (Scotland) Act 1949 entitles the tenant, whose tenancy has been terminated by notice, to apply to the court for an extension to its lease of up to one year (and, if granted, to apply for further renewals thereafter).

Appointment of Substitute Servicer

The termination of the appointment of the Servicer under the Servicing Agreement will only be effective once a substitute servicer has effectively been appointed. See "*Servicing*" below. There is no guarantee that a substitute servicer could be found who would be willing to service the Issuer's assets (including the Mortgage Loans, the Mortgages and the Collateral Security) at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though such agreement provides for the fees payable to a substitute servicer to be consistent with those payable generally at that time for the provision of commercial mortgage administration services). In any event, the ability of such substitute servicer to perform such services fully would depend on the information and records then available to it. The fees and expenses of a substitute servicer performing services in this way would be payable in priority to payment of interest under the Notes.

Risks relating to Conflicts of Interest

Conflicts of interest may arise between the Issuer and the Servicer because the Servicer or one of its affiliates intends to continue to finance, service, acquire, develop, and dispose of real estate-related assets in the ordinary course of their business. During the course of their business activities, the Servicer or those affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Properties. In such cases, the interests of the Servicer or those affiliates may differ from, and compete with, the interests of the Issuer, and decisions made with respect to those assets may adversely affect the value of the Properties and therefore the ability to make payments under the Notes.

The Servicer may, at any time, hold any class of Notes outstanding from time to time, and the holders of that class may have interests which conflict with the interests of the holders of the other Notes (as at the date hereof, it is intended that N M Rothschild & Sons Limited will acquire all of the Notes).

Mortgagee in Possession Liability

The Issuer or (where it has taken enforcement action against the Issuer) the Trustee may be deemed to be a mortgagee in possession (which expression, in relation to Scottish Properties, shall be deemed to include reference to "heritable creditor in possession") if there is entry into physical possession of the relevant property or an act of control or influence which may amount to possession. Additionally, if, following a default by a Borrower but prior to appointing a receiver, the administrator served notice on the tenants of a property requiring all rents received after the date of such notice to be paid directly to the Issuer, this could result in the Issuer or (where it has taken enforcement action against the Issuer) the Trustee being deemed to be a mortgagee in possession. The Trustee will be indemnified by the Issuer against any liabilities it may incur as a consequence of becoming a mortgagee in possession. Any payments made to the Trustee by the Issuer under any such indemnity will be paid in priority to amounts owing to the Noteholders and therefore may adversely affect the amount and/or timing of payments made to the Noteholders.

A mortgagee in possession has an obligation to account for the income obtained from the relevant property and will be liable to a tenant for any mismanagement of the relevant property. A mortgagee in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

In a case where it is necessary to initiate enforcement procedures against a Borrower, the Servicer is likely to appoint a receiver to collect sums on behalf of the Issuer which should have the effect of reducing the risk that the Trustee is deemed to be a mortgagee in possession.

Environmental Risks

Certain existing environmental legislation imposes liability for clean-up costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found. The term "**owner**" would include anyone with a proprietary interest in a property. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all the clean up costs incurred.

If any environmental liability were to exist in respect of any Property or Borrower or Mortgagor, the Trustee should incur no responsibility for such liability prior to enforcement of the relevant Mortgage Loan, Mortgage and Collateral Security, unless it could be established that the Trustee (or the Servicer on behalf of the Trustee) had entered into possession of the affected Property or could be said to be in control of the Property. After enforcement, the Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Trustee, could become responsible for environmental liabilities in respect of a Property.

If an environmental liability arises in relation to any Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the Property or in a reduction in the price obtained for the Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on the Property could result in personal injury or similar claims by private plaintiffs.

Legal Title

The Properties generally comprise registered land or land which is in the process of being registered or recorded. In relation to a limited number of Properties securing the Mortgage Loans, the relevant Borrower or Mortgagor is not yet registered or recorded as legal proprietor or (as applicable) heritable owner of such Properties (following the acquisition of that Property or Properties) and consequently the Originator is not yet registered as proprietor or (as applicable) heritable creditor of the Mortgage granted or to be granted to it by the Borrower or Mortgagor over that Property or those Properties. The Originator has confirmed that it is not aware of any reason why in such instances the Borrower or Mortgagor in question should not in due course be registered or recorded as legal proprietor or (as applicable) heritable owner of the Property or Properties to which they are acquiring legal title or why the Trustee should not in due course be registered or recorded as proprietor or (as applicable) heritable creditor of the Mortgage over the Property or Properties.

In respect of each Property securing the Mortgage Loans, the completed disposition or dispositions, transfer or transfers or conveyance or conveyances have been duly stamped (or an application for adjudication has been made for payment of which the Originator has been advised will be granted) and appropriate application has been made (or will be made within the appropriate priority period following execution of a transfer or, in relation to Scottish Properties, as soon as practically possible) to the Land Registry or (as applicable) the Registers of Scotland for registration or recording of transfer of the title and the relevant Mortgage. The Originator holds funds sufficient to pay the fees or has received solicitors' undertakings to pay the fees in relation to all necessary applications to the Land Registry or (as applicable) the Registers of Scotland to the extent the same have not already been paid. It is expected that all such applications will be completed within six months of the Closing Date.

Unperfected transfer of legal title

Under the Mortgage Sale Agreement, the Originator will agree to sell and assign its title to the Mortgage Assets to the Issuer on or about the Closing Date and will agree to perfect such assignment or assignation upon the request of the Issuer or the Trustee **provided that**, in relation to the PS-A Mortgage Loans and the related Mortgages, perfection of such assignment will take place shortly after the Closing Date. However, the Issuer has agreed not to request the Originator to perfect the assignment or assignation of legal title to the Mortgage Assets unless certain events occur including the Trustee becoming entitled to enforce the Security or such perfection being required by a court or regulatory authority or there is an Insolvency Event of the Originator (each a "**Perfection Event**"). Legal title will therefore remain vested in the Originator or on its behalf and held on trust for the Issuer until the transfer is so perfected after the occurrence of a Perfection Event and the transfer of title on the Closing Date and each Substitute Loans Purchase Date will take effect in equity only (or, in the case of Scottish Mortgages (other than a Scottish Security Trust Mortgage) and Scottish Collateral Security, by means of a declaration of trust, in each case, a "**Scottish Declaration of Trust**" or (as applicable) by way of an assignation of the Originator's beneficial interest in the security trusts relative to such Scottish Mortgages and Scottish Collateral Security).

The consequence of the assignment or assignation or transfer taking effect in equity only or by way of a trust or assignation of a trust interest is that the rights of the Issuer and the Trustee may be, or may become, subject to equities or trusts 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 in the relevant Mortgage Asset (such as a third party acquiring a legal interest by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests). Furthermore, the Issuer's and the Trustee's interests may be subject to equitable or other interests (if any) of third parties which may rank in priority to the Issuer's and the Trustee's interests in accordance with the normal rules governing the priority of such interests.

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 Mortgage Assets is likely to be limited to circumstances arising from a breach by the Originator or the Issuer of their respective contractual or other obligations, or fraud or mistake on the part of the Originator or its officers, employees or agents.

Until legal title to the Mortgage Assets has been vested in the Issuer or the Trustee, the Originator (including any security trustee acting on behalf of the Originator) must be joined as a party to any legal proceedings which the Issuer or the Trustee may wish to take against any Borrower or Mortgagor to

enforce their rights over the relevant Mortgage Asset. In this respect, the Originator will, pursuant to the 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 Asset and such undertaking will be secured by a security power of attorney granted by the Originator in favour of the Issuer and the Trustee enabling the Issuer and the Trustee to each take proceedings in the name of the Originator.

Due Diligence

Due diligence (including valuations of properties) in relation to the Mortgage Loans and the Properties has been undertaken in the context of and at the time of the origination of each particular Mortgage Loan by the Originator. No further or updated independent valuations of the Properties are required to be obtained, however for certain Properties, an updated valuation was obtained after the original advance. None of the due diligence previously undertaken will be verified or updated prior to the sale of the Mortgage Loans, Mortgages and Collateral Security to the Issuer.

The Issuer and the Trustee will each rely solely on the representations and warranties of the Originator contained in the Mortgage Sale Agreement. Neither the Issuer nor the Trustee has itself conducted any due diligence in respect of the Mortgage Assets.

Valuers and Solicitors

The reports given by the valuers or solicitors in respect of the Properties are addressed to the Originator, and may only be relied upon by the addressee. The Originator's right under any such reports will be held on trust by the Originator for the Issuer in accordance with the Mortgage Sale Agreement.

The values of the Properties securing the Mortgage Loans have not been and will not be assessed specifically for the purposes of the issue of the Notes. See "*The Expected Portfolio*" below. If, in respect of any Mortgage Loan, there is a breach of the warranties given by the Originator, the sole remedy of the Issuer and the Trustee will be to require the Originator to repurchase the relevant Mortgage Loan if the breach is not remedied by the Originator. The Issuer may, at its discretion, in certain cases sue third party professional advisers directly. However, the Originator will not have any liability to pay such damages beyond an amount recoverable from the relevant valuer or solicitor. Full recovery of loss may not be possible if, for example, (i) the relevant valuer or solicitor raises a successful defence to any claim in respect of breach of contract, fraud, negligence or failure to disclose brought against it or (ii) prior to the settlement of any claim the relevant valuer or solicitor becomes insolvent or otherwise ceases to exist (other than to the extent of any successful claim being made in relation to the relevant valuer's or solicitor's professional indemnity insurance). In addition, damages in respect of a breach of the warranty in relation to valuers' reports will be limited to the diminution in value of the relevant Property (i.e., from the Valuation) which can be shown to be attributable to the breach of contract, negligence, fraud or failure to disclose of the relevant valuer, and will exclude any diminution in the value of the relevant Property which is attributable to a reduction in the value of comparable properties generally in the area where the relevant Property is situated. Such a breach of warranty will not entitle the Issuer or, after the service of an Enforcement Notice, the Trustee to require the Originator to purchase, or to arrange the purchase of, the relevant Mortgage Loan.

Receivers

Pursuant to the Servicing Agreement the Servicer is required to take all reasonable steps to recover amounts due from the Borrowers, and to comply with procedures specified in the Servicing Agreement for enforcement of Mortgage Loans, Mortgages and Collateral Security current from time to time. See "*Servicing*" below. The principal remedies available following a default under a Mortgage Loan or its Mortgage or Collateral Security, as contemplated by the Servicer's enforcement procedures, are (subject to applicable law) the appointment of a receiver over the relevant Property or over all the assets of a corporate Borrower and/or entering into possession of the relevant Property. The Servicer has confirmed to the Issuer and the Trustee that its usual procedure for enforcing security over property would involve the appointment of a receiver. A receiver would invariably require an indemnity to meet his costs and expenses (notwithstanding his statutory indemnity under the Insolvency Act 1986) as a condition of his appointment or continued appointment. Such an indemnity would rank ahead of payments on the Notes.

The Servicer's usual practice would be to appoint a "Law of Property Act" receiver ("**LPA Receiver**") rather than an administrative receiver. Such a receiver is so called because his powers derive not only from the mortgage under which he has been appointed but also from the Law of Property Act 1925. An LPA Receiver is deemed by law to be the agent of the entity providing security until the commencement of liquidation proceedings against such entity and so, for as long as the receiver acts within his powers, he will only incur liability on behalf of the entity providing security. If, however, the Servicer on behalf of the Issuer and/or the Trustee (or the Issuer or the Trustee themselves), unduly directs or interferes with and influences the receiver's actions, a court may decide that the receiver is the Issuer's or the Trustee's agent and that the Issuer or the Trustee, as the case may be, should be responsible for the receiver's acts.

It is not possible to appoint an LPA Receiver in relation to Scottish Properties, and accordingly in the case of any Scottish Property it would be necessary for the Servicer on behalf of the Issuer and/or the Trustee (or the Issuer or the Trustee themselves) to obtain possession.

Enterprise Act 2002

By an order made by the Under-Secretary of State for Small Business and Enterprise 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, the holder of a qualifying floating charge created on or after 15 September 2003 will be prohibited from appointing an administrative receiver to a company unless the floating charge falls within one of the exceptions set out in sections 72A to 72G of the Insolvency Act (the "**exceptions**") 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 Security Deed is a qualifying floating charge for the purposes of the Enterprise Act, and will be entered into on or about the Closing Date and therefore after 15 September 2003 and as such the Trustee will be prevented from appointing an administrative receiver in respect of the Issuer unless the floating charge falls within one of the exceptions. The exceptions include an exception (the capital market exception) in respect of, in certain circumstances, the appointment of an administrative receiver pursuant to an agreement which forms part of a "capital market arrangement" (which is broadly defined in the Insolvency Act). This exception will apply if a party incurs or, when the agreement in question was entered into was expected to incur, a debt of at least £50 million and if the arrangement involves the issue of a capital market investment (also defined but, generally, a rated, traded or listed bond). Although there is as yet no case law on how this exception will be interpreted, the Issuer considers that the capital markets exception will be applicable to the floating charge granted by the Issuer pursuant to the Security Deed. However, the Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect.

The floating charges granted by the relevant Borrowers and/or the Mortgagors after 15 September 2003 may be qualifying floating charges for the purposes of the Enterprise Act which might not have the benefit of one of the exceptions. Therefore, an administrative receiver might not be able to be appointed to the relevant Borrower and/or Mortgagor, so the Trustee could not prevent the appointment of an administrator.

Insolvency Act 2000

The Insolvency Act 2000 has amended the Insolvency Act 1986 with effect from 1 January 2003 so as to allow certain "**small companies**", as part of the company voluntary arrangement procedure, to seek court protection from their creditors by way of a moratorium for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period).

A "**small company**" is defined for these purposes by reference to whether the company meets certain tests contained in section 382(3) of the Companies Act 2006, relating to a company's balance sheet total, turnover and average number of employees in a particular period. The position as to whether or not a company is a "**small company**" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "**small company**". Accordingly, the Issuer

may, at any given time, come within the ambit of the "**small companies**" provisions, such that the Issuer may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

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

Certain companies which qualify as small companies for the purposes of these provisions may be, nonetheless, excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002, which were made on 25 July 2002 and came into force on 1 January 2003. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment. The definitions of "**capital market arrangement**" and "**capital market investment**" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

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

In the event that a Borrower is a "**small company**", the effect of the provisions described above will be to delay the enforcement of the relevant Collateral Security although in certain cases the Borrowers are special purpose vehicles which are restricted from entering into other transactions and are, therefore, unlikely to be subject to insolvency proceedings instituted by third parties. This delay may have an adverse effect on the timing and amount of recoveries paid to the Issuer in respect of the relevant Mortgages Loan.

In addition, a small number of the Borrowers are organised as limited liability partnerships. It is not clear whether a partnership (other than a limited liability partnership) can grant an effective floating charge and, in any event, under the Insolvent Partnerships Order 1994, which modifies the Insolvency Act 1986 in relation to partnerships and limited partnerships in England and Wales, it is not possible to appoint an administrative receiver over the assets of a partnership and so block the appointment of an administrator. The effect of the appointment of an administrator is, amongst other things, to impose a moratorium so that any winding up petition must be dismissed and no steps may be taken to enforce any security over the partnership property. It directs that the affairs and business of the partnership and the partnership property should be managed by the administrator. During the period the administrator is in office (i) no order may be made for the winding up of the partnership, (ii) no order may be made on the joint petition for

bankruptcy of the members as such, (iii) the court may not decree a dissolution of the partnership under the statutory provisions in the Partnership Act 1890, and (iv) most enforcement proceedings including execution and repossession of goods are barred save with the leave of the court. In the event that a Borrower which is organised as a partnership or a limited partnership is placed in administration, this may result in a delay in the payment of amounts owing under the relevant Mortgage Loan to the Issuer and, subject to the availability of the Liquidity Facility could result in a failure by the Issuer to make timely payments of amounts due under the Notes. Although a limited liability partnership can grant effective floating charge security, it appears that the prohibition on appointing an administrative receiver applies to limited liability partnerships and, since 1 October 2005, the new streamlined administration regime under the Enterprise Act 2002 applies to limited liability partnerships by the Limited Liability Partnership (Amendment) Regulations 2005. Hence, it will not generally be possible to prevent the appointment of an administrator (unless one of the limited number of exceptions to the prohibition on appointing an administrative receiver applies) and so the same concerns will arise in relation to the security granted by this type of Borrower.

In Scotland, it is not possible for a partnership (other than a limited liability partnership) to grant a floating charge and general partnerships and limited partnerships established in Scotland are subject to the personal insolvency regime (in terms of the Bankruptcy (Scotland) Act 1985) unlike in England and Wales, where the corporate insolvency regime (in terms of the Insolvency Act 1986) applies to general partnerships and limited partnerships.

However, it should be noted in the context of the above paragraph that none of the Borrowers are incorporated, organised or established under the laws of Scotland.

Insolvency Regimes Differ

Borrowers which are incorporated or established in jurisdictions other than England and Wales may be subject to insolvency regimes that differ from that of England and Wales. In cases where the Borrower is based in a foreign jurisdiction, enforcement of security may be restricted by local insolvency law, including, for example, any statutory moratorium periods during which enforcement of security interests is prevented. Although in certain cases the Borrowers are special purpose vehicles which are restricted from entering into other transactions and are, therefore, unlikely to be subject to insolvency proceedings instituted by third parties, in some cases the foreign Borrowers are not special purpose vehicles.

Considerations Relating to the Notes

Liability under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by the Originator or any associated body of the Originator, or of or by the Specified Parties (including N M Rothschild & Sons Limited) or any company in the same group of companies as the Specified Parties. None of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

Deferral of interest on the Class B Notes

If, on any Payment Date, prior to delivery of an Enforcement Notice, there are insufficient funds available to the Issuer to pay accrued interest on the Class B Notes, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and will be deferred until the next following Payment Date on which the Issuer has, in accordance with the Pre-Enforcement Payments Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon). Interest will, however, accrue on such deferred interest.

Limited Resources of Issuer

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of principal and interest from the Borrowers under the Mortgage Loans and the receipt of funds (if due) from the Swap Counterparty under the Swap Transaction. If timely payment under the Notes is unable to be made from resources available to the Issuer, the Issuer will have available to it (subject to satisfaction of the conditions for drawing) drawings under the Liquidity Facility Agreement to fund payments in respect

of interest payments in respect of the Class A Notes. Other than the foregoing, prior to the enforcement of the Issuer Security, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and in respect of making any payment ranking in priority to, or *pari passu* with, the Notes.

Post-Enforcement Call Option

To the extent that the Trustee determines, in its sole opinion and discretion, that all amounts outstanding under the Notes have become due and payable and that there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Issuer Security or otherwise) being available to pay amounts outstanding under the Notes, Holdco will have the option to purchase from the Noteholders all Notes then outstanding for consideration of one penny in respect of each Note. See "*The Issuer and the Corporate Services Provider*" and Condition 9 (*Post-Enforcement Call Option*) below.

Rights Available to Holders of Notes of Different Classes

In performing its duties as trustee for the Noteholders, the Trustee will not be entitled to consider solely the interests of the Class A Noteholders but will also need to have regard to the interests of the Class B Noteholders. Where, however, there is a conflict between the interests of the Class A Noteholders and the Class B Noteholders, the Trustee will be required to have regard only to the interests of the Class A Noteholders which are involved in such conflict and will not have regard to the Class B Noteholders nor to the interests of other Secured Parties except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

Ratings of Class A Notes and Confirmations of Ratings

The ratings assigned to the Class A Notes by Fitch are based on the Mortgage Loans, the Mortgages, the Collateral Security, the Properties and other relevant structural features of the transaction, including the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider and reflect only the views of Fitch. The ratings address the likelihood of full and timely receipt by the Class A Noteholders of interest on the Class A Notes and the likelihood of receipt by the Class A Noteholders of principal of the Class A Notes by the Final Maturity Date. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by Fitch. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by Fitch as a result of changes in or unavailability of information or if, in the judgment of Fitch, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Class A Notes.

Agencies other than Fitch could seek to rate the Notes and, if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, those shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "**ratings**" or "**rating**" in this Prospectus are to ratings assigned by Fitch only.

Interest Rate Risk

The Issuer is subject to certain interest rate risks, including:

- (a) the risk of the contractual interest rates on the Mortgage Loans being less than that required by the Issuer to meet its commitments under the Notes and its other obligations, which risk is, to a certain extent, addressed by the Swap Transaction, although there can be no assurance that the Swap Transaction will adequately address unforeseen hedging risks; and
- (b) the risk of default in payment by a Borrower under a Mortgage Loan which requires payment of a floating rate of interest as a result of an increase in the rate of LIBOR.

Hedging risks

In certain circumstances, the Swap Transaction may be terminated and as a result the Issuer may be unhedged if a replacement swap transaction is not entered into. In particular, Noteholders may suffer a loss if the Issuer is, as a result of such termination, required to pay swap termination amounts to the Swap Counterparty. Certain of such amounts payable on an early termination rank senior to any payments to be

made to the Noteholders both before enforcement of the Issuer Security and after enforcement of the Issuer Security. See "*Resources Available to the Issuer – Pre-Enforcement Payments Priorities*" and "*Resources Available to the Issuer – Post-Enforcement Payments Priorities*". For a more detailed description of the Swap Agreement see "*Resources Available to the Issuer – Hedging Arrangements – Swap Agreement*" below.

Disruption and lack of liquidity in the secondary market for Notes

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that such a market will develop. None of the Notes has been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as described in "*Subscription and Sale*". Even if such a market does develop, it may not continue for the life of the Notes or it may leave Noteholders with illiquidity of investment. Illiquidity means that a Noteholders may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholders to realise a desired yield. Illiquidity can have an adverse effect on the market value of Notes.

As at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell mortgage-backed securities into the secondary market. The price of credit protection on mortgage-backed securities through credit derivatives has risen materially. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet requirements of limited categories of investors. Consequently, while these market conditions persist, an investor in Notes may not be able to sell or acquire credit protection on its Notes readily and market values of Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor.

Risks of Losses Associated with Declining Property Values

The security for the Notes consists of, *inter alia*, the Issuer's interest in the Mortgage Loans. This 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 on the dates of origination of the related Mortgages. If the commercial property market in England and Wales and Scotland 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 Mortgage Loans being significantly reduced. To that extent, Noteholders will bear the risk of loss resulting from default by Borrowers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest of any delinquent Mortgage Loans.

Liquidity Facility

Pursuant to the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings (the "**Liquidity Facility**") to be made in the circumstances described in "*Resources Available to the Issuer – Liquidity Facility*". The facility will, however, be a maximum aggregate amount equal to the higher of (i) 3.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date being £245,550,000, and (ii) 8.7% per cent. of the Principal Amount Outstanding of the Class A Notes at any time, which will in certain specified circumstances be reduced. The amount available to be drawn under the facility may be such that insufficient funds may be available to the Issuer to pay in full interest due on the Class A Notes. See "*Resources Available to the Issuer – Liquidity Facility*".

In certain circumstances, if the Issuer is unable to replace the facility, the Issuer may be required to draw the full amount available under the facility, which will bear interest on such full amount. Such interest will be paid, in accordance with the Pre-Enforcement Revenue Payments Priorities, in priority to interest on the Notes.

As any amount to be established on a Calculation Date may be adjusted to take account of amounts received on or before the next Payment Date, it is possible that a notice of drawing may be served under the Liquidity Facility in respect of a drawing on the relevant Payment Date and subsequently funds received that would make the Liquidity Facility drawing unnecessary. However, the Issuer will still be obliged to draw, and pay interest on, the relevant amount under the Liquidity Facility until the drawing is repaid on the following Payment Date.

European Union 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 also 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 reciprocal 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 section entitled "*UK Taxation*" below.

Securitisation Company Tax Regime

The Taxation of Securitisation Companies Regulations (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 and were amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007. The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. If the TSC 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 expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Investors should note, however, that the TSC 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 TSC Regulations including advising as to whether any particular company falls within the new regime.

Prospective Noteholders should note that if the Issuer were not taxed under the new regime provided for by the TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to Noteholders.

Withholding Tax under the Notes

If any withholding or deduction for or on account of taxes is imposed on or is otherwise applicable to payments of interest or principal on the Notes to Noteholders, the Issuer is not obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

*Changes to the Basel Capital Accord ("**Basel II**")*

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision (the "**Committee**"). The 1988 Accord, now referred to as Basel 1, helped to strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Committee published the text of the new capital accord under the title: "Basel II; International

Convergence on Capital Measurement and Capital Standards: a revised framework" (the "**framework**") in June 2004. In November 2005, the Committee issued an updated version of the framework. On 4 July 2006, the Committee issued a comprehensive version of the framework. This framework places enhanced emphasis on market discipline and sensitivity to risk and serves as a basis for national and supra-national rule-making and approval processes for banking organisations. The framework was put into effect for credit institutions in Europe via the recasting of a number of prior directives. This consolidating directive is referred to as the EU Capital Requirements Directive ("**CRD**"). Member states were required to transpose, and financial services industry to apply, the CRD by 1 January 2007. The more sophisticated measurement approaches for operational risk will come into effect in 2008.

The framework will affect risk weighting of the Notes for investors subject to the new framework following implementation (whether via the CRD or otherwise by non-EU regulators). Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the framework, as implemented by their own regulator, to their holding of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk weighting which will result for investors from the adoption by their own regulator of the framework (whether or not implemented by them in its current form or otherwise).

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 NMR) 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 NMR, 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.

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, United Kingdom tax law and administrative practice in effect as at the date of this document. No assurance can be given as to the impact of any possible change to English law, United Kingdom tax law or administrative practice after the date of this document, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in

connection with the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risks 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 Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

THE ISSUER AND THE CORPORATE SERVICES PROVIDER

The Issuer

The Issuer, Real Estate Capital No. 7 plc, was incorporated in England & Wales as a public company with limited liability under the Companies Act 1985 on 26 March 2008 (registered number 6544679) as Shawlview plc and changed its name on 20 June 2008 to Real Estate Capital No. 7 plc. The registered office of the Issuer is at 7 Albemarle Street, London W1S 4HQ. The Issuer has no subsidiaries.

Principal Activities of the Issuer

Article 4 of the Memorandum and Articles of the Issuer dated 20 June 2008 (as currently in effect) provides that the principal objects of the Issuer are to invest in mortgage loans secured on commercial or other properties in the British Isles or elsewhere, to manage and administer mortgage loan portfolios, to issue securities in payment or part payment for any real or personal property purchased, to borrow, raise and secure the payment of money by the creation and issue of bonds, debentures, notes or other securities, to enter into swap transactions or other hedging arrangements and to charge or grant security over the Issuer's property or assets to secure its obligations.

The Issuer has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Companies Act 1985, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Prospectus and matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no accounts have yet been drawn up in respect of the Issuer.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in the Security Deed and the Trust Deed, including restrictions on disposing of assets and granting further security over any of its assets except as permitted by the Primary Transaction Documents. In addition, the Issuer will covenant in the Trust Deed to provide written confirmation to the Trustee, on an annual basis, that no Event of Default or Potential Event of Default (or other matter which is required to be brought to the Trustee's attention) has occurred in respect of the Notes.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities.

Directors and Secretary of the Issuer

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Robert L Ford	7 Albemarle Street, London W1S 4HQ	Director
Marle (UK) Limited	7 Albemarle Street, London W1S 4HQ	Corporate Director

The company secretary of the Issuer is Citco Management (UK) Limited, whose business address is 7 Albemarle Street, London W1S 4HQ.

Capitalisation and Indebtedness of the Issuer

The capitalisation and indebtedness of the Issuer as at the date of this Prospectus, adjusted to take account of the issue of the Notes, is as follows:

Share Capital

Authorised Share Capital	Issued Share Capital	Value of each Share	Shares Fully Paid Up	Paid Up Share Capital
£50,000	£50,000	£1.00	50,000	£50,000

49,999 of the issued shares (being 49,999 shares of £1 each) in the Issuer are held by Holdco. The remaining one share in the Issuer is held by Marle Nominees Limited (the "**Share Trustee**") as nominee of Holdco in its capacity as trustee under a declaration of trust made on 6 October 2008.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2022	£245,550,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2022	£200,950,000
Total Loan Capital	£446,500,000

Except as set out above, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Issuer has not created any mortgages, standard securities or charges nor has it given any guarantees as at the date hereof.

Responsibility statement

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

For the information contained in the following sections of this Prospectus: *The Borrowers, the Servicer and Originator, Underwriting Procedures, the Expected Portfolio and Mortgage Sale Agreement*, the Issuer has relied on information from the Originator and the Originator accepts responsibility for the information contained therein and to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained therein is in accordance with the facts and does not omit anything likely to affect the import of such information. The information in these sections and any other information from third-parties contained and specified as such in this Prospectus has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Corporate Services Provider

Citco London Limited (the "**Corporate Services Provider**") was incorporated in England and Wales (with registered number 03818926) as a private company with limited liability under the Companies Act 1985. The registered office of the Corporate Services Provider is 7 Albemarle Street, London W1S 4HQ.

Pursuant to an agreement to be entered into on or about the Closing Date between the Corporate Services Provider and the Issuer (the "**Corporate Services Agreement**"), the Corporate Services Provider will provide to the Issuer corporate services including (i) a registered office and an administrative office for the Issuer (ii) services of at least two persons who will accept office as directors of the Issuer (iii) the arrangement of meetings of directors of the Issuer and the preparation of minutes of such meetings (iv) the provision of book keeping services and preparing the Issuer's accounts (v) the preparation and submission of annual returns and any other document required by law to be prepared or filed by the Issuer and (vi) such other corporate, company, secretarial and administration services as may be required by the Issuer from time to time.

Pursuant to the Corporate Services Agreement, the appointment of Citco London Limited as corporate services provider shall terminate:

- (a) upon the expiration of 90 days' notice in writing by the Corporate Services Provider or upon the expiration of 30 days' notice in writing by the Issuer **provided that**, in either case, a substitute administrator acceptable to the Issuer has been appointed on terms substantially similar to those set out in the Corporate Services Agreement; and

- (b) immediately upon notice in writing given by the Issuer if certain events including the following occurs:
- (i) the Corporate Services Provider is in breach of any of the terms of the Corporate Services Agreement;
 - (ii) the Corporate Services Provider ceases or threatens to cease to carry on business or being unable to pay its debts as and when they fall due;
 - (iii) an order being made or an effective resolution being passed for the winding up of the Corporate Services Provider;
 - (iv) liquidation, insolvency, composition, reorganisation or other similar proceeding being initiated against the Corporate Services Provider;
 - (v) an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Corporate Services Provider; or
 - (vi) an encumbrancer taking possession of all or part of the undertaking, property or assets of the Corporate Services Provider.

Upon termination, the Corporate Services Provider shall use its best endeavours to ensure the effective transfer of corporate services and all corporate services and all corporate documents and information in its possession to a replacement corporate services provider.

Holdco

Real Estate Capital No. 7 Holdings Ltd ("**Holdco**"), was incorporated in England and Wales (with registered number 6569613) as a private company with limited liability under the Companies Act 1985 on 17 April 2008. The registered office of Holdco is at 7 Albemarle Street, London W1S 4HQ

Holdco has an authorised share capital of £2 divided into 2 ordinary shares of £1 each, of which one ordinary share has been issued. The Share Trustee holds the issued share of Holdco. The Directors and Secretary of Holdco are the same as those of the Issuer.

The Post-Enforcement Call Option will be granted to Holdco by the Trustee on behalf of all the Noteholders and will permit Holdco to acquire from the Noteholders all the Notes then outstanding for a purchase price of one penny per Note. The Post-Enforcement Call Option will only be exercisable if the Trustee determines (and gives written notice to Holdco of such determination), in its sole opinion and discretion, that all amounts outstanding under the Notes have become due and payable and that there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Issuer Security or otherwise) being available to pay amounts outstanding under the Notes. See further Condition 9 (*Post-Enforcement Call Option*) below.

Holdco is organised as a special purpose company. Since its incorporation, other than subscribing for or otherwise acquiring the issued share capital of the Issuer and activities incidental thereto, Holdco has not engaged in any other activities. Holdco holds all the issued share capital of the Issuer (other than one ordinary share of the Issuer which is held by the Share Trustee on trust for Holdco).

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be approximately £446,500,000 and this sum will be applied by the Issuer towards payment to the Originator of part of the purchase consideration in respect of the aggregate principal amount of the Mortgage Loans, and the Originator's interests in the Mortgages and Collateral Security, to be purchased on the Closing Date pursuant to the Mortgage Sale Agreement and to establish the Further Advances Fund. See "*Mortgage Sale Agreement*" below. The Issuer will fund the payment of fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes by drawing under the Expenses Loan Agreement.

THE BORROWERS

The Expected Portfolio consists of 55 Mortgage Loans, most of which are with a different Borrower. Of the 55 Mortgage Loans, 8 Mortgage Loans have been made to a Borrower which is a limited liability partnership or where one or more of the Borrowers is a limited liability partnership, 1 Mortgage Loan has been made to a Borrower which is a general partnership and 2 Mortgage Loans have been made to a Borrower which is a trust. All of the Borrowers are incorporated or organised (as applicable) under the laws of England and Wales except for 2 Mortgage Loans where the relevant Borrower has been incorporated in Guernsey and 1 Mortgage Loan where the relevant Borrower has been incorporated in Jersey.

THE SERVICER AND ORIGINATOR

NMR acting in its role of Originator and Servicer is an authorised institution under the Financial Services and Markets Act 2000 and is supervised by the Financial Services Authority. NMR was incorporated in England with limited liability on 1st January, 1968 under the Companies Acts 1948 to 1967 and is a wholly-owned subsidiary of Rothschild Continuation Limited, which is also incorporated in England. NMR's ultimate parent company is Rothschild Concordia SAS, which is incorporated in France. Paris Orléans has purchased the remaining 50% share in Concordia B.V., previously held by the English branch of the Rothschild family. Paris Orléans is controlled by Rothschild Concordia SAS, which is controlled by the Rothschild family and their interests.

NMR's registered office and principal place of business in the United Kingdom is at New Court, St. Swithin's Lane, London EC4P 4DU. NMR has regional offices in Manchester, Leeds and Birmingham. NMR's principal operating subsidiaries are Rothschild Bank International Limited, a merchant banking company registered in Guernsey, Channel Islands and Five Arrows Leasing Group Limited, a lease asset finance company registered in the UK.

NMR's main activities include Investment Banking (ranked No.1 in the Thomson Financial league table as at 2 January 2007), Corporate Banking and Treasury. Consolidated accounts for the year to 31 March 2007 showed operating income of £402,047,000, with operating profit before tax of £72,286,000. Shareholder's funds as at 31 March 2007 were £291,242,000, with total assets of £4,523,798,000. NMR has a financial rating of "A" (long term) and F1 (short term) with stable outlook from Fitch.

NMR's Commercial Property Experience

NMR provides a range of banking services to the commercial property sector, including lending, securitisation and advice on corporate property outsourcing, real estate focused leasing and public-private finance initiatives. Real estate lending has been a core activity within NMR's banking division for over thirty years. There is a strong emphasis on relationship banking and a conservative lending approach. Substantially all loans are secured against UK based property assets, primarily in the retail, office, light industrial and leisure sectors. The majority of real estate loan facilities provided by NMR are secured, senior and mezzanine term loans, but the bank also provides revolving facilities, the majority having a term of between one and seven years. NMR also acts as arranger for syndicated loan facilities and owns a majority stake in a property fund management business.

Structure of the Commercial Property Finance Department

NMR has two main lending teams in the United Kingdom based in London and Manchester. There are ten real estate lending staff within these two teams supported by administration staff. The Commercial Property Finance teams are headed by a Managing Director who reports directly to one of the co-heads of Banking. The commercial property teams in London and Manchester operate from a common platform with shared strategic objectives while serving their separate client bases.

Financial Statements

The annual reports of NMR are publicly available and can be viewed at www.rothschild.com.

UNDERWRITING PROCEDURES

Origination of the Mortgage Loans

As at the Closing Date, the portfolio will consist of 55 Mortgage Loans (the "**Expected Portfolio**"), all of which are secured over commercial properties as described below. For a description of certain characteristics of the Expected Portfolio, see "*The Expected Portfolio*" below.

The decision to advance a loan (subject to obtaining satisfactory legal due diligence) is based on compliance with the Originator's lending criteria as described below (the "**Mortgage Loan Criteria**"). All the Mortgage Loans, and their related Mortgages and Collateral Security were originated by or on behalf of the Originator between 1986 and 2008.

Lending Criteria

Lending Philosophy

The Originator's credit policy is to underwrite commercial property loans based on an analysis of the contractual cashflows, occupational tenant covenants and lease terms and the overall quality of the real estate. Risk is assessed by stressing the cashflows derived from underlying tenants and the risks associated with refinancing the amount due upon maturity of the loan. The plans and strategy for the relevant property, as well as the property investment experience and expertise of the relevant borrower's sponsors, are also factors that are taken into consideration.

Types of Borrower/Mortgagor

Borrowers/Mortgagors are typically, but not in all cases, medium sized private property companies or partnerships sponsored by experienced property investors, incorporated and/or resident in the United Kingdom. Typical terms of the facilities made available to the Borrowers are described in "*Terms of the Mortgage Loans*" below.

Security

All Mortgages are secured by first legal mortgages or (in relation to Scottish Properties) first ranking standard securities, or first and sequentially lower ranking mortgages or (as applicable) standard securities over freehold or (as applicable) heritable or long leasehold land and buildings which are the subject matter of the relevant Mortgage Loan, and usually a floating charge over the Borrower's other assets. The typical security created by borrowers is described in "*Terms of the Debentures*" below.

Some of the Mortgages and Collateral Security in relation to the Mortgage Loans have been drafted on a security trust basis and are held on trust for the Originator (and any other secured creditors in terms of the relevant Borrower Loan Agreement) by the relevant security trustee.

Advance Level

The Originator normally advances new loans having a principal amount of between £3 million and £25 million and to a maximum of 85 per cent. of the valuation of the underlying properties. The advance level of any particular loan will depend on a valuation of the relevant property obtained by the Originator prior to drawdown under a loan agreement. See "*Valuations of Properties*" below.

Purpose of the Loan

The purpose of the loans will normally be to assist in the acquisition, development or re-financing of commercial real estate.

Repayment Terms

The terms of the loans originated by or on behalf of the Originator are generally between three and seven years, although the majority of loans originated by or on behalf of the Originator have a term of between three and five years. Loans may be interest only or have defined principal repayment schedules. The principal repayment schedule is structured to take account of the cashflow pattern of the leases in effect at

the date of commencement of the loan and the anticipated realisable value of the security at the loan's maturity.

Enforcement

The Originator's enforcement policy is to seek to secure cashflow from security as quickly as is prudent in the event that an event of default under a mortgage has occurred.

Insurance

Each Borrower or Mortgagor is required to effect or procure prior to drawdown (in each case in a form acceptable to the Originator): (i) insurance of the relevant property, including fixtures, on a full reinstatement basis, with not less than three years' loss of rent on occupational tenancies at the relevant property; (ii) insurance against third party liabilities; (iii) in most cases insurance against acts of terrorism (where such insurance is generally available in the UK market on commercially reasonable terms), which coverage includes loss of rent on the property for a minimum of three years as well as rebuilding costs; and (iv) such other insurance as a prudent company in the business of the relevant Borrower or Mortgagor would effect. With respect to the Mortgage Loans, the Originator's interest has been noted or is in the course of being noted on such policies or the Originator is a joint insured or co-insured under the relevant policy. See "*Risk Factors – Insurance*" above.

Insurance policies are typically renewed on an annual basis and to the extent coverage ceases to be in place, it constitutes an event of default on the relevant loan. In general, insurance costs are recoverable by the borrower as part of the service charge.

Legal Due Diligence

Following the approval in principle of a loan facility, certain legal due diligence procedures are followed before a loan is advanced. Details of these procedures are set out below.

General Information

The Originator retains external legal advisers in relation to the origination of loans relating to property situated in England and Wales and Scotland (together, the "**Solicitors**").

Property Title Investigation

An important part of the legal due diligence process is to verify that the prospective borrower/ mortgagor has or, if the property is being purchased, will have, good title to the property to be charged, free from any encumbrances or other matters which would be considered to be of a material adverse nature. The process of title verification is slightly different depending upon whether a report on title is prepared and issued in favour of the Originator by the Borrower's solicitors or whether the title investigation is undertaken by the Solicitors and a report is issued by them.

Report on Title Prepared by Borrower's Solicitors

If a report is prepared by the Borrower's solicitors, the Originator will check the identity of such solicitors and satisfy itself that they are of sufficient standing and competence to deliver a report on title in respect of the relevant property.

The Solicitors on behalf of the Originator review the draft form of report to ensure that it covers all relevant matters (i.e. the matters that the Solicitor would expect to be covered in a report (see "*Report on Title from Solicitors*" below)). Once the draft report has been issued, the Solicitors on behalf of the Originator will raise requisitions in case of omissions, ambiguities or material disclosures in the report and satisfy themselves in relation to any issues arising from the report.

Report on Title from Solicitors

The Solicitors undertake the usual investigation of title in relation to the relevant property which will include reviewing copies of title documents and Land Registry or (as applicable) Registers of Scotland entries (including any lease under which the property is held). All the usual Land Registry or (as applicable) Registers of Scotland, local authority and any other appropriate searches will be undertaken

and preliminary enquiries will be raised of the Borrower's solicitors. Where the property is being acquired by the Borrower, a review of the replies to enquiries raised by the Borrower's solicitors will be undertaken. The terms of all leases and tenancies affecting the property will usually, be reviewed and the basic terms (including details of rent reviews and tenants' determination rights) will be included in the report.

Where a Borrower is in the course of acquiring a property that is to be charged then the purchase contract and the form of transfer of the relevant property will be reviewed and approved.

The Solicitors will also, where the property concerned is owned by another company whose shares are acquired by the relevant Borrower or Mortgagor, check the terms and conditions of any share sale and purchase agreement and oversee any legal formalities required to be undertaken, for example, ensuring that the requirements of Section 155 of the Companies Act 1985 (where a mortgagor grants financial assistance by charging its assets as security for the purpose of the purchase of its own shares) are complied with.

The report that the Solicitors prepare will highlight any material or unusual matters but otherwise confirm (if correct) that, in their opinion, the prospective borrower or mortgagor has (or would have on completion of any purchase and necessary registration) good title to the property. The report will not normally cover matters relating to the structure or construction of the relevant property, specific environmental surveys or enquiries, or any credit checks on the borrower or occupational tenants.

The Solicitors ensure that the valuers providing the valuation of a property have a copy of the report, and they cross check and verify basic details relating to the property (namely tenure and term and rents for any occupational tenancies) set out in any valuation received by them.

Capacity of Borrower/Mortgagor

In relation to any Borrower or Mortgagor incorporated in England and Wales, the Solicitors satisfy themselves that the relevant company is validly incorporated, has sufficient power and capacity to enter into the proposed transaction, whether it is subject to any existing mortgages or charges, whether it is the subject of any insolvency proceedings, and generally that any formalities required to enter into the proposed transaction with the Originator have been (or would be by completion) completed.

In cases where the Borrower comprises a partnership or other entity, the Solicitors will also review the terms and conditions of the principal partnership agreement or other relevant agreement, together with other associated documents such as any shareholders agreement (relating to shares in a general partner) or management or operating agreement in order to satisfy themselves that:

- (a) the partnership or other entity is properly constituted; and
- (b) the partnership or other entity has power and capacity to borrow money, own property, charge its assets as security and other matters relating to the transaction.

In relation to any Borrower or Mortgagor incorporated outside England and Wales, lawyers competent in the jurisdiction where the company is incorporated are appointed to undertake, taking account of jurisdictional differences, a similar due diligence process to that undertaken by the Solicitors. The foreign lawyers are required to deliver an appropriate legal opinion confirming, among other things, that the choice of English law to govern the documentation will be recognised and upheld.

Structural/Environmental Reports

Reports relating to the structure or construction of a property are not usually obtained nor are specific environmental surveys or enquiries undertaken unless it is thought appropriate in any particular instance to do so or unless it is recommended to do so in the relevant valuation report.

Reliance on Legal Due Diligence

The legal due diligence referred to above is in each case addressed to the Originator. It will not be updated prior to the sale of the Mortgage Loans, Mortgages and Collateral Security to the Issuer, nor will it be re-addressed either to the Issuer or the Trustee. However, to the extent such reports are assignable, the Originator will assign the benefit thereof to the Issuer, which will then assign the same by way of

security to the Trustee. In any case where the reports are not so assigned, the benefit thereof will be held on trust by the Originator.

Valuations of Properties

Prior to making any advance under any loan, the Originator obtains an independent valuation of the relevant property or properties charged as security for such loan as a condition precedent to the making of the advance to a borrower, however for certain Properties, an updated valuation was obtained after the original advance. In certain circumstances the Originator is entitled to require that the relevant Borrower procure a further valuation of the relevant Property or Properties securing that Borrower's Mortgage Loan. No further or updated independent valuations of the Properties will be obtained in connection with the closing of the transactions described in this Prospectus.

Drawdown and Post-Completion Formalities

The Solicitors ensure that all necessary English and Scottish registration formalities and the service of notices are dealt with at drawdown or, as appropriate, within any applicable priority or other time periods following drawdown. In relation to other jurisdictions, appropriate undertakings are obtained from the relevant lawyers to attend to such matters in the same manner as necessary.

In relation to registrations at the Land Registry or (as applicable) Registers of Scotland, the Solicitors either undertake these registrations or obtain an unconditional undertaking from the Borrower's/Mortgagor's solicitors to effect the registrations and forward the relevant charge certificate when the registration has been completed (and, in the meantime, to hold the deeds to the order of the Solicitors on behalf of the Originator). Where any Borrower's/Mortgagor's solicitors ask to retain any occupational leases in order to deal with day to day management matters, they are permitted to do so subject to providing an unconditional undertaking to hold them to the Solicitors' order and to deliver them on demand.

Information on typical loans, mortgages and collateral security

The typical loan and security package in relation to a loan comprises: a credit agreement; a legal charge over the relevant property or properties; and a debenture from the Borrower and/or Mortgagor company. In relation to property situated in Scotland, a standard security or standard securities will be granted by the Borrower and/or Mortgagor separate from such debenture, together with such other forms of security as are appropriate.

If the Borrower has borrowing obligations to any other entities other than the Originator, then a subordination agreement or deed of priority will be required.

The standard form security documentation is described in more detail under "*Terms of the Debenture*" and "*Collateral Security*" below.

Terms of the Mortgage Loans

Each of the Mortgage Loans is documented in a credit agreement (a "**Borrower Loan Agreement**"), which is governed by English law. Each Borrower Loan Agreement contains the types of representations and warranties and undertakings on the part of the Borrower that a reasonably prudent lender would usually require. In most situations, the Originator is entitled to assign the benefit of any of its rights under the Borrower Loan Agreements without restriction. The assignment from the Originator will be in an amount permitted to be transferred.

A summary of the principal terms of the standard form Borrower Loan Agreement is set out below. Material amendments to the standard form are not generally accepted unless they are necessary to reflect the terms and conditions or the structure of the particular loan.

Loan Amount and Drawdown and Further Advances

The maximum amount of a loan is calculated by reference either to a maximum agreed amount or to a pre-agreed percentage (usually up to 85 per cent.) of the value of the property to be charged calculated by reference to the relevant Valuation.

Certain Mortgage Loans have undrawn commitments ("**Undrawn Commitments**") in favour of the relevant Borrower to make further advances (the "**Further Advances**") under the relevant Borrower Loan Agreement, in respect of which, if the relevant Borrower requests a drawdown after the Closing Date but prior to the Further Advances Fund Expiry Date and satisfy the conditions in connection therewith, the Issuer will fund the acquisition through the use of monies in the Further Advances Fund.

Conditions Precedent

The conditions precedent to a drawdown will vary depending upon the terms of the facility and nature of the security to be created. However, certain documents (duly executed) are normally required in all cases such as the Borrower's constitutional documents and appropriate board minutes (where appropriate); a valuation in respect of the property being financed (and, as appropriate, structural surveys and/or environmental reports); evidence of insurance cover in respect of the property; a report on title in respect of the property; security documents (including those documents referred to above); all appropriate UK and other tax clearances and relevant legal opinions.

Interest and Amortisation Payments/Repayments

Interest is payable in arrears on the expiry of each interest period and amortisation payments (where made) are also made on designated dates in accordance with a pre-determined schedule.

A Borrower typically has the right to pre-pay the whole or any part of its Mortgage Loan upon notice being given, subject to payment of any breakage cost and to payment of the then applicable prepayment fee (if any).

On or shortly before each Borrower Loan Payment Date, a Borrower is to discharge any interest and/or principal payments due under the Borrower Loan Agreement by paying the relevant amount into the Originator Account.

Representations and Warranties

The "standard" representations and warranties given by a Borrower typically include a representation to the effect that the borrower is validly incorporated or constituted and has the power, capacity and authority to own its assets, to carry on its business and enter into the loan and security documentation.

The Borrower also warrants that no event of default or potential event of default under its credit agreement and security documents will occur as a result of the loan being made and that it is not in default under any other document to an extent which would be material; that there is no current material litigation or other legal proceedings against the borrower; and that the information supplied to the Originator (and any valuers) is true, complete and accurate.

Undertakings

The Borrower gives various undertakings which take effect so long as any amount is outstanding under the relevant Mortgage Loan.

The undertakings relate, among other things, to the provision of financial information on an ongoing basis; an obligation to supply the Originator with details of shareholder or equivalent documentation; details of any material litigation; any potential event of default under the credit agreement; not to permit or allow any charge to arise over any of its assets and not (without the Originator's consent) to sell, transfer, lease or otherwise dispose of all or a substantial part of its assets.

The Borrower undertakes (i) to insure all relevant properties in the full reinstatement value (on terms acceptable to the Originator); and (ii) to provide regular rental and tenancy information relating to each property.

Financial Covenants

The Borrower undertakes to ensure that the following financial covenants are complied with:

- (a) that the ratio of the Mortgage Loan to the aggregate value of the Property or Properties securing such Mortgage Loan (the "**LTV Ratio**") is maintained at or below a certain prescribed figure (usually between 50 and 85 per cent.);
- (b) the Interest Cover Percentage always exceeds a certain prescribed ratio (usually 110 to 135 per cent.); and
- (c) that the income generated from the relevant Property or Properties as a percentage of the principal drawn amount of the relevant Mortgage Loan or Mortgage Loan Group (the "**Income Cover Percentage**") always exceeds a certain prescribed figure (usually between 7 and 10 per cent.).

The LTV Ratio, Interest Coverage Percentage and Income Cover Percentage are each referred to as a "**Financial Covenant**" and, together, the "**Financial Covenants**", although all three are not evident in every Mortgage Loan). Certain of the Mortgage Loans have only one or two Financial Covenants depending on the structure and nature of the Mortgage Loan. Any breach of a Financial Covenant will constitute an event of default under the relevant Borrower Loan Agreement. Borrowers are normally required to provide a statement of the rental income in respect of each Property securing its respective Mortgage Loan on a quarterly basis.

Events of Default

The Borrower Loan Agreements contain usual events of default entitling the Originator to terminate the Mortgage Loan and/or enforce its security, typically including non-payment of amounts due; breach of the Borrower's other obligations under the Borrower Loan Agreement and security documents; misrepresentation; and acts of insolvency.

Grace periods are sometimes agreed in relation to non-payment and breaches of other obligations.

Terms of the Legal Charge

The standard form of legal charge secures all obligations of a Borrower to the Originator pursuant to the Borrower Loan Agreement. Material amendments to the standard form are not generally accepted unless they are necessary to reflect the terms and conditions or the structure of the particular loan or the company providing the security is incorporated in Scotland. The company providing the security (which is usually the Borrower but in some cases is a related company) is referred to below as the "**Chargor**".

Creation of Security

The standard form legal charge grants a first ranking or first and sequentially lower charge by way of legal mortgage over the Property and a general floating charge over all other assets (not extending over any Property or assets situated in Scotland, as to which see "*Scottish Mortgages*" below).

Representations and Warranties

The Chargor typically makes representations and warranties (on the date the legal charge is entered into, the date of any drawdown notice and on each Payment Date) including (where appropriate) to the effect that it is the legal and beneficial owner of the property; that there is no breach of any law or regulation that might materially affect the value of the property; nor any facility or right required for the necessary use and enjoyment of the property that is liable to be terminated; and that the property is in good and substantial repair and complies with all provisions of any applicable environmental law.

The representations and warranties referred to above are qualified (to the extent applicable) by the report on title in relation to the relevant property and to those matters of which the Chargor is aware.

Undertakings

The Chargor typically undertakes, among other things, not to permit or allow any charge or encumbrance to arise over the Property or sell or dispose of any asset charged as security (save for assets charged by way of floating security only, and disposed of in the ordinary course of business); that it will keep the Property or Properties in good and substantial repair and that it will comply with obligations contained in any leases or covenants and all statutes and obligations affecting the Property or Properties.

Enforceability

The security created by the legal charge is expressed (in the usual manner) to be enforceable immediately upon its execution, but this is qualified by the provisions of the Borrower Loan Agreement, which provides that the legal charge may only be enforced once an event of default under the Borrower Loan Agreement has occurred. The charge confers upon the Originator and any receiver appointed by it a wide range of powers in connection with the sale or disposal of the property and its management, and each of them is granted a power of attorney on behalf of the Chargor in connection with the enforcement of its security.

Scottish Mortgages

Three of the Mortgage Loans are secured or partially secured over Scottish Properties by way of a first ranking standard security, a standard security being the only means of creating a fixed charge or security over heritable or long leasehold property in Scotland. In addition, floating charges have been granted by certain Borrowers or Mortgagors which extend over their Scottish Properties and/or assets which are located in Scotland or governed by the law of Scotland pursuant to Debentures and have granted assignments of rent in respect of the rental income from their Scottish Properties. References herein to a "mortgage", or to a "mortgagor" and a "mortgagee" (or the "legal owner" of a mortgage), are to be read as references to such a standard security, the grantor thereof and the heritable creditor thereunder, respectively.

A statutory set of "**Standard Conditions**" is automatically imported into all standard securities, including the standard securities. However, the majority of these Standard Conditions may be varied by agreement between the parties. The Standard Conditions as varied will therefore form part of the mortgage conditions relating to any standard security.

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 case the borrower has two months to comply with the notice and in default the lender may enforce its rights under the standard security by sale, entry into possession or the other remedies provided by statute. A court application for possession is only necessary if the borrower fails to vacate the property. Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which case the borrower has only one month in which to comply with the notice, but also has the right to object to the notice by court application within 14 days of the date of service. In addition, the lender may in certain circumstances make a direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement therefore depend on the circumstances of each case.

Collateral Security

In addition to a legal charge or standard security, each Borrower enters into and grants various further related security as referred to above (see "*Information on typical loans, mortgages and collateral security*" above). Further, in those cases where the Borrower is not the owner of the relevant Property or Properties, the relevant owner thereof grants a Mortgage over the relevant Property or Properties as security for the obligations of the Borrower under the relevant Borrower Loan Agreement.

A charge over or security interest in shares in the Borrower or Mortgagors, as the case may be, is sometimes entered into (the "**Share Charge**") creating a first fixed charge over or first priority security interest in all shares in the Borrower or Mortgagors and all associated rights.

The chargor gives the usual representations as to, among other things, its incorporation and authority to enter into the Share Charge and also undertakes in the usual manner, among other things, not to charge further, sell, transfer or otherwise dispose of the shares.

All borrowing obligations of the Borrower to a party other than the Originator (the "**Subordinated Lender**") are fully subordinated to all amounts due to the Originator under its Borrower Loan Agreement. The Borrower typically undertakes, among other things, not to secure any part of the subordinated liabilities and not to repay all or any part of the subordinated liabilities. This is usually qualified to the extent that surplus monies released to the borrower can be used to make such payments. The Subordinated Lender normally gives the usual undertakings, including in particular that it will not take any steps leading to the administration, winding up or dissolution of the Borrower.

THE EXPECTED PORTFOLIO

The Mortgage Loans all have original maturities of under 7 years. The interest and principal payable under the Mortgage Loans to the Issuer demonstrate capacity for the Issuer to make payments of principal and interest due under the Notes.

All Mortgage Loans are secured by first legal mortgages or (as applicable) standard securities, or first and sequentially lower ranking mortgages or (as applicable) standard securities over freehold or (as applicable) heritable or long leasehold commercial property located in England and Wales and Scotland. All the Mortgage Loans, when originated, met the Lending Criteria in all material respects and the Originator and the Servicer will provide a warranty to this effect on the Closing Date.

Interest payable in relation to the Mortgage Loans is at a fixed rate or floating rate, accrues daily and is usually payable quarterly in arrears (other than in respect of the first and last Payment Dates in respect thereof).

Voluntary prepayment of the Mortgage Loans, in full or in part, is permitted, subject (in certain cases) to the payment of a prepayment fee and payment of any breakage cost, on prior notice to the Originator. In certain cases, a prepayment fee is not payable where a limited part of the loan is prepaid or where the term of the loan is close to its expiry date.

A small number of the Properties are part-owner occupied. Certain matters concerning the tenancies could affect the value of a Property; these are part of the normal risks of lending on the security of let property and are referred to at "*Risk Factors – The Issuer's Ability to Meet its Obligations under the Notes: the Tenants*".

The summary tables for the Expected Portfolio as at 8 August 2008 (the "**Cut-Off Date**") are set out below. Some of the information set out below in relation to the Portfolio may change between the Cut-Off Date and the Closing Date as a result of, among other things, the repayment or prepayment of the Mortgage Loans and the ongoing servicing of the Portfolio, which may result in a change of the terms of some of the agreements in relation to the Mortgage Loans.

The following summary tables have been compiled by the Originator and provide information in respect of the Expected Property Portfolio and the Expected Portfolio as at 8 August 2008. Where the following tables make reference to property valuations, the valuations quoted are as at the date of the Valuation; no revaluation of any of the Properties for the purposes of the issue of the Notes has been obtained. Some of the information set out below in relation to the Expected Portfolio may have changed between the Cut-Off Date and the Closing Date as a result of, among other things, the repayment or prepayment of the Mortgage Loans and the ongoing servicing of the Portfolio, which may result in a change of the terms of some of the agreements in relation to the Mortgage Loans.

Transaction Summary

Number of Mortgage Loans	55
Number of Mortgage Loan Groups	51
Number of Properties	313
Number of tenanted units	1,493
Number of tenants	1,071
Aggregate Principal Outstanding Balance (£)	433,948,662.67
Aggregate Undrawn Commitments (£)	12,528,118.47
Average Principal Outstanding Balance (£)	7,889,975.68
Maximum Principal Outstanding Balance (£)	27,890,000.00
Minimum Principal Outstanding Balance (£)	350,000.00
WA margin (over LIBOR)	1.31%
WA LTV	69.2%
WA DSCR	135.2%
WA ICR	135.7%
WA time to lease expiration date (years)	9.6
WA occupancy	89.5%
WA time to maturity (months)	29.36
WA seasoning (months)	88.06

Herfindahl Index 3.19%

Distribution by Mortgage Loan amount

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
0-5000000	20	45,192,548.00	10.4%	1,865,702.00	1.6%	72.4%
5000000-10000000	19	130,834,437.87	30.1%	8,559,579.37	1.4%	67.1%
10000000-15000000	7	82,602,239.20	19.0%	1,832,635.10	1.4%	68.1%
15000000-20000000	6	104,097,937.60	24.0%	270,202.00	1.2%	71.5%
20000000-25000000	2	43,331,500.00	10.0%	-	1.1%	67.2%
25000000-30000000	1	27,890,000.00	6.4%	-	1.1%	72.3%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by Year of Maturity

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
2008	9	40,268,693.78	9.3%	781,306.22	1.5%	66.3%
2009	14	91,911,836.99	21.2%	8,223,591.25	1.4%	67.2%
2010	12	65,356,308.00	15.1%	1,332,442.00	1.3%	70.7%
2011	7	81,902,594.90	18.9%	-	1.2%	68.8%
2012	12	137,678,971.00	31.7%	2,190,779.00	1.3%	69.3%
2013	1	16,830,258.00	3.9%	-	1.1%	83.3%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by Margin

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
1.00% - 1.25%	12	157,746,116.90	36.4%	366,736.00	1.1%	71.3%
1.25% - 1.50%	24	179,320,040.12	41.3%	8,717,370.88	1.3%	67.7%
1.50% - 1.75%	16	75,709,854.87	17.4%	2,466,662.37	1.5%	68.2%
1.75% - 2.00%	1	13,792,950.78	3.2%	7,049.22	1.9%	65.9%
2.75% - 3.00%	2	7,379,700.00	1.7%	970,300.00	2.9%	81.0%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by ranking

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
Senior	51	420,398,962.67	96.9%	11,557,818.47	1.3%	69.1%
Mezzanine	4	13,549,700.00	3.1%	970,300.00	2.4%	72.8%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by LTV

	Number of Mortgage Loans	Principal Outstanding Balances	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
0.15-0.2	1	350,000.00	0.1%	-	1.3%	15.7%
0.3-0.35	1	600,000.00	0.1%	-	1.4%	34.0%
0.45-0.5	2	10,397,163.00	2.4%	852,837.00	1.3%	46.2%
0.5-0.55	3	33,167,453.00	7.6%	4,532,547.00	1.2%	54.1%
0.55-0.6	3	22,850,000.00	5.3%	-	1.4%	58.0%
0.6-0.65	5	42,295,320.12	9.7%	2,457,179.88	1.3%	64.0%
0.65-0.7	10	91,3433,544.78	21.0%	132,955.22	1.4%	68.2%
0.7-0.75	14	133,325,056.87	30.7%	3,083,121.37	1.3%	72.3%
0.75-0.8	12	71,409,866.90	16.5%	1,469,478.00	1.3%	77.1%
0.8-0.85	4	28,210,258.00	6.5%	-	1.4%	82.5%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by DSCR

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
0-0.2	1	5,397,163.00	1.2%	852,837.00	1.7%	46.9%
0.6-0.8	3	6,525,000.00	1.5%	125,000.00	1.4%	73.6%
0.8-1	4	14,194,405.00	3.3%	1,560,112.23	1.9%	77.5%
1-1.2	9	66,424,834.12	15.3%	2,191,415.88	1.3%	70.9%
1.2-1.4	18	184,435,714.55	42.5%	5,678,388.36	1.3%	70.6%
1.4-1.6	9	96,363,094.00	22.2%	1,200,906.00	1.3%	67.7%
1.6-1.8	4	28,906,203.00	6.7%	643,797.00	1.3%	65.5%
1.8-2	2	18,687,249.00	4.3%	275,662.00	1.3%	71.3%
2-2.2	2	7,065,000.00	1.6%	-	1.4%	67.2%
2.4-2.6	1	5,000,000.00	1.2%	-	1.0%	45.5%
3.2-3.4	1	600,000.00	0.1%	-	1.4%	34.0%
5.6-5.8	1	350,000.00	0.1%	-	1.3%	15.7%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution by ICR

	Number of Mortgage Loans	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
0-0.2	1	5,397,163.00	1.2%	852,837.00	1.7%	46.9%
0.6-0.8	3	6,525,000.00	1.5%	125,000.00	1.4%	73.6%
0.8-1	4	14,194,405.00	3.3%	1,560,112.23	1.9%	77.5%
1-1.2	8	62,059,834.12	14.3%	2,191,415.88	1.3%	70.8%
1.2-1.4	18	184,435,714.55	42.5%	5,678,388.36	1.3%	70.6%
1.4-1.6	10	100,728,094.00	23.2%	1,200,906.00	1.2%	67.9%
1.6-1.8	4	28,906,203.00	6.7%	643,797.00	1.3%	65.5%
1.8-2	2	18,687,249.00	4.3%	275,662.00	1.3%	71.3%
2-2.2	2	7,065,000.00	1.6%	-	1.4%	67.2%
2.4-2.6	1	5,000,000.00	1.2%	-	1.0%	45.5%
3.2-3.4	1	600,000.00	0.1%	-	1.4%	34.0%
5.6-5.8	1	350,000.00	0.1%	-	1.3%	15.7%
Grand Total	55	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of property type

	Number of Properties	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
Industrial	76	137,388,377.37	31.7%	2,228,997.78	1.3%	70.9%
Office	61	116,193,652.61	26.8%	3,119,696.93	1.3%	68.1%
Other	20	25,355,390.49	5.8%	33,581.97	1.3%	68.2%
Residential	5	4,529,670.68	1.0%	40,001.47	1.4%	70.1%
Retail	151	150,481,571.51	34.7%	7,105,840.31	1.3%	68.7%
Grand Total	313	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of Properties by region

	Number of Properties	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
UK East Midlands (Metropolitan)	8	12,456,529.64	2.9%	17,879.96	1.1%	72.7%
UK East Midlands (Regional)	5	28,065,799.02	6.5%	6,561.45	1.5%	68.2%
UK London (Greater)	8	13,931,774.34	3.2%	457,349.69	1.3%	72.8%
UK London (M25 West)	5	4,618,945.77	1.1%	325,489.26	1.3%	71.3%
UK North East (Metropolitan)	4	5,825,211.64	1.3%	26,901.96	1.0%	50.4%
UK North West (Metropolitan)	48	83,829,929.66	19.3%	1,637,761.59	1.3%	67.9%
UK North West (Regional)	28	46,251,844.37	10.7%	2,747,048.91	1.5%	69.4%
UK Scotland (Metropolitan)	19	9,432,006.04	2.2%	-	1.1%	78.8%
UK Scotland (Regional)	20	3,527,648.73	0.8%	-	1.1%	83.3%
UK South East (Metropolitan)	5	6,627,020.08	1.5%	263,943.47	1.2%	72.0%
UK South East (Regional)	11	11,430,140.32	2.6%	554,827.14	1.1%	69.6%
UK South West (Metropolitan)	8	33,091,459.35	7.6%	-	1.2%	69.7%
UK South West (Regional)	12	12,551,783.15	2.9%	567,841.11	1.2%	63.3%
UK Wales (Metropolitan)	2	7,260,866.08	1.7%	852,837.00	1.5%	54.9%
UK Wales (Regional)	6	6,928,735.12	1.6%	166,686.87	1.2%	76.2%
UK West Midlands (Metropolitan)	12	15,870,891.88	3.7%	137,605.32	1.3%	71.0%
UK West Midlands (Regional)	3	29,204,737.50	6.7%	-	1.1%	72.6%
UK Yorkshire/Humber (Metropolitan)	88	84,220,441.96	19.4%	4,304,118.99	1.4%	67.9%
UK Yorkshire/Humber (Regional)	15	16,983,028.92	3.9%	237,632.52	1.4%	73.6%
UK North East (Regional)	5	854,200.87	0.2%	23,654.04	1.2%	80.8%
UK East Anglia (Regional)	1	985,668.23	0.2%	199,979.20	1.3%	64.8%
Grand Total	313	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of Properties by market valuation date

	Number of Properties	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
2000	3	3,541,983.58	0.8%	48,377.81	1.4%	69.1%
2001	4	1,907,371.86	0.4%	295,335.00	1.3%	72.8%
2002	4	2,466,497.85	0.6%	372,019.88	1.3%	72.7%
2003	17	18,359,981.03	4.2%	366,816.17	1.2%	64.3%
2004	31	15,961,384.43	3.7%	228,582.31	1.2%	75.8%
2005	33	36,957,751.25	8.5%	1,736,039.72	1.3%	67.6%
2006	116	116,173,001.67	26.8%	1,624,474.48	1.3%	73.2%
2007	60	136,080,389.43	31.4%	5,326,356.94	1.3%	68.3%
2008	44	101,964,690.12	23.5%	2,447,182.78	1.4%	66.3%
<01/01/2000	1	535,611.44	0.1%	82,933.38	1.3%	72.8%
Grand Total	313	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of Properties by occupancy

	Number of Properties	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
0-0.1	17	15,788,436.19	3.6%	1,457,712.32	1.5%	64.3%
0.2-0.3	5	3,867,374.40	0.9%	247,956.91	1.3%	69.7%
0.4-0.5	2	9,809,474.19	2.3%	125,000.00	1.2%	61.5%
0.5-0.6	4	8,313,759.00	1.9%	3,181.24	1.8%	68.8%
0.6-0.7	6	8,560,687.50	2.0%	1,345,754.95	1.3%	67.7%
0.7-0.8	16	28,515,332.08	6.6%	2,908,593.61	1.4%	68.1%
0.8-0.9	16	36,254,427.23	8.4%	968,263.29	1.3%	63.8%
0.9-1	247	322,839,172.08	74.4%	5,471,656.15	1.3%	70.5%
Grand Total	313	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of units by unit type

	Number of units	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
Regular units	1,453	414,895,218.31	95.6%	12,331,710.07	1.3%	69.4%
Criterium (m) units	40	19,053,444.36	4.4%	196,408.40	1.4%	64.8%
Grand Total	1,493	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of units by lease expiration date

	Number of units	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
2008	338	24,140,309.04	5.6%	1,768,520.92	1.4%	68.0%
2009	138	20,746,550.44	4.8%	1,225,586.31	1.3%	70.3%
2010	106	16,385,934.72	3.8%	874,597.98	1.4%	69.9%
2011	79	18,739,504.62	4.3%	331,667.54	1.4%	70.6%
2012	91	18,542,296.76	4.3%	351,718.19	1.4%	69.2%
2013	75	14,238,431.05	3.3%	373,462.99	1.3%	68.5%
2014	59	21,867,351.78	5.0%	390,598.65	1.3%	68.7%
2015	48	12,065,914.45	2.8%	474,440.39	1.2%	66.2%
2016	45	15,723,687.34	3.6%	215,504.98	1.3%	70.1%
2017	61	23,630,612.34	5.4%	377,985.71	1.3%	68.5%
2018	36	23,041,481.17	5.3%	319,779.48	1.4%	70.0%
2019	26	9,127,732.91	2.1%	214,183.77	1.2%	69.1%
2020	17	9,613,916.45	2.2%	15,509.61	1.3%	74.7%
2021	38	17,623,096.26	4.1%	67,209.94	1.3%	69.5%
2022	25	19,805,608.30	4.6%	53,384.14	1.3%	72.7%
2023	17	11,246,128.89	2.6%	538,976.52	1.3%	71.5%
2024	17	13,759,150.39	3.2%	75,817.53	1.2%	68.8%
2025	9	3,497,392.47	0.8%	19,850.40	1.2%	70.9%
2026	11	39,853,338.70	9.2%	2,065.03	1.2%	70.5%
2027	5	2,705,620.10	0.6%	4,456.84	1.3%	77.6%
2028	3	10,797,386.09	2.5%	795,344.24	1.2%	61.8%
2029	6	19,960,142.79	4.6%	-	1.2%	71.7%
2030	6	2,971,421.58	0.7%	-	1.1%	70.4%
2032	3	1,232,026.86	0.3%	1,671.36	1.4%	78.7%
2033	2	5,952,048.01	1.4%	777,560.35	1.5%	65.6%
>01/01/2034	36	10,973,860.93	2.5%	192,288.05	1.3%	67.5%
Vacant	196	45,707,718.19	10.5%	3,065,937.57	1.4%	66.0%
Grand Total	1,493	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

Distribution of units by industry

	Number of units	Principal Outstanding Balance	% of Portfolio	Undrawn Commitments	WA margin (%)	WA LTV (%)
Aerospace & Defense	1	3,757,451.92	0.9%	-	1.5%	69.7%
Automobiles	30	6,700,296.10	1.5%	204,028.40	1.3%	68.7%
Banking & Finance	42	13,730,229.81	3.2%	668,127.53	1.2%	67.8%
Broadcasting/Media/Cable	9	218,796.28	0.1%	9,994.48	1.2%	70.9%
Building & Materials	82	24,935,749.03	5.7%	317,507.52	1.3%	70.0%
Business Services	353	69,282,002.15	16.0%	2,151,593.69	1.4%	68.1%
Chemicals	3	125,686.69	0.0%	11,505.88	1.3%	72.1%
Computers & Electronics	18	4,891,227.15	1.1%	39,899.59	1.2%	69.7%
Consumer Products	25	19,694,651.00	4.5%	472,230.82	1.3%	66.0%
Food, Beverage & Tobacco	13	9,576,492.84	2.2%	15,445.44	1.2%	73.5%
Gaming, Leisure & Entertainment ...	18	6,716,475.31	1.5%	11,726.12	1.2%	74.2%
Health Care & Pharmaceuticals	22	14,720,796.82	3.4%	9,636.60	1.2%	72.6%
Industrial/Manufacturing	11	3,561,120.86	0.8%	7,853.07	1.1%	76.8%
Lodging & Restaurants	27	17,516,143.81	4.0%	594,501.50	1.3%	68.4%
Metals & Mining	1	347,704.24	0.1%	5,491.70	1.3%	71.4%
Packaging & Containers	1	1,874,474.54	0.4%	-	1.0%	69.8%
Paper & Forest Products	3	1,073,071.41	0.2%	3,710.98	1.4%	79.3%
Real Estate	29	5,450,104.32	1.3%	214,714.61	1.4%	70.4%
Retail (General)	536	148,693,319.01	34.3%	4,201,079.36	1.3%	70.6%
Sovereigns	23	9,626,932.64	2.2%	367,883.79	1.3%	70.3%
Supermarkets & Drugstores.....	14	5,856,605.43	1.3%	128,789.22	1.3%	71.7%
Telecommunications	13	3,663,173.28	0.8%	17,940.54	1.3%	61.1%
Textiles & Furniture	4	1,112,524.35	0.3%	7,192.24	1.3%	62.7%
Transportation	7	3,474,085.85	0.8%	945.47	1.2%	57.2%
Utilities	12	11,641,829.64	2.7%	382.36	1.2%	67.9%
Vacant	196	45,707,718.19	10.5%	3,065,937.57	1.4%	66.0%
Grand Total	1,493	433,948,662.67	100.0%	12,528,118.47	1.3%	69.2%

MORTGAGE SALE AGREEMENT

Consideration

Pursuant to the Mortgage Sale Agreement, the Originator will agree to sell and the Issuer will agree to purchase on the Closing Date all of the Originator's right, title and interest in and to the Mortgage Loans and the related Mortgages and Collateral Security and, on the relevant future closing dates, all of the Originator's right, title and interest in and to the Further Advances and the related Mortgages and Collateral Security. The initial purchase consideration in respect of the Mortgage Loans and the related Collateral Security will be approximately £434,900,000.00, which will be paid on the Closing Date, which amount will be equal to the aggregate principal amount of all the Mortgage Loans as of the Cut-Off Date and the aggregate original principal amount of any further advances made under the Mortgage Loans with undrawn commitments between the Cut-Off Date and the Closing Date. The Issuer will fund such purchase consideration from the proceeds of the Notes. The initial purchase consideration in respect of each Further Advance and the related Mortgage and Collateral Security to be purchased by the Issuer will be an amount equal to the principal amount outstanding of the relevant Further Advances on the closing date of such purchase, which amount will be paid by the Issuer on such closing date using the proceeds of the Further Advances Fund.

The rights to be sold from the Originator to the Issuer include all right, title, interest and benefit of the Originator, in each case in and under each Mortgage Loan and its related Borrower Loan Agreement (in each case subject to the Borrowers' subsisting rights of redemption), Mortgage and Collateral Security including:

- (a) all sums of principal, interest and any other sum payable by the Borrowers under the relevant Mortgage Loans and the related Borrower Loan Agreements, Mortgages, Collateral Security, and the right to demand, sue for, recover, receive and give receipts for all principal monies payable or to become payable (howsoever and whensoever arising) thereunder or the unpaid part thereof and all interest payable (howsoever and whensoever arising) or to become payable thereon;
- (b) the benefit of all security for such principal monies and interest, the benefit of all arrangements with the holders of second or subsequent or prior mortgages, charges or other security interests over the relevant Property or Properties pursuant to which such holder, has agreed to postpone its interest under such mortgage, charge or other security interest to the relevant Mortgage and Collateral Security, the benefit of all consents (including any priority conferred) to mortgage signed by occupiers of the relevant Property or Properties (if any) and the benefit of and the right to sue on all covenants and/or agreements with the Originator in each of the relevant Borrower Loan Agreements and the right to exercise all powers and remedies in relation to each of the relevant Borrower Loan Agreements and its related Mortgage and Collateral Security;
- (c) all the estate, right and interest in the relevant Property or Properties vested in the Originator subject to redemption or cesser;
- (d) to the extent transferable, all causes and rights of action (both present and future) of the Originator against any valuer, any solicitor, any other person or the Land Registry in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with the relevant Mortgage Loans and their related Borrower Loan Agreements, Mortgages and Collateral Security together with the benefit of any such report, valuation, opinion, certificate, consent or other statement of fact or opinion; and
- (e) the right, title, interest and benefit of the Originator in relation to the insurance contracts in respect of such Property or Properties, including the right to demand, receive, sue for and recover the proceeds of any claim under any such insurance contracts to the extent that they relate to the relevant Mortgage Loans and their Mortgages and Collateral Security,

but **provided that** although the Originator will agree to perfect the assignment of legal title at the request of the Issuer or the Trustee, the Issuer and the Trustee will, pursuant to the Mortgage Sale Agreement, agree not to call for such perfection until the occurrence of a Perfection Event (except with respect to PS-A Mortgage Loans where assignment will be perfected shortly after the Closing Date).

On each Payment Date prior to enforcement of the Issuer Security, the Issuer will pay to the Originator (or to the person or persons then entitled thereto or any component thereof), to the extent that the Issuer has funds, an amount, if any, by way of deferred consideration for the purchase of the Mortgage Loans and their related Mortgages and Collateral Security (the "**Deferred Consideration**"), which is calculated in respect of the Collection Period ending prior to such Payment Date. Such Deferred Consideration payable on each such Payment Date will be equal to the Available Revenue Receipts less an amount equal to the sum of the payments scheduled to be paid on such Payment Date in accordance with items (a) to (m) inclusive in the Pre-Enforcement Revenue Payments Priorities.

"PS Mortgage Loans" means the PS-A Mortgage Loans and the PS-B Mortgage Loans.

"PS-A Mortgage Loans" means the Mortgage Loans as set out in Part C of Schedule 6 (*Mortgage Loan Schedule*) of the Mortgage Sale Agreement and **"PS-A Mortgage Loan"** means any one of them.

"PS-B Mortgage Loans" means the Mortgage Loans as set out in Part C of Schedule 6 (*Mortgage Loan Schedule*) of the Mortgage Sale Agreement and **"PS-B Mortgage Loan"** means any one of them.

Substitute Loans

In accordance with the terms of the Mortgage Sale Agreement, the Originator may sell Substitute Loans to the Issuer.

The Issuer will retain amounts in the substitute loans account (the "**Substitute Loans GIC Account**") to fund future acquisitions of Substitute Loans. The Originator shall, 3 Business days prior to each Payment Date, deliver a notice (the "**Substitute Loans Retained Amount Notice**") to the Servicer specifying the required amount to be retained in the Substitute Loans GIC Account on such Payment Date (such amount, the "**Substitute Loans Retained Amount**").

If the Originator requests the Issuer to purchase Substitute Loans, it will deliver, 3 Business Days prior to the relevant Payment Date (the "**Substitute Loans Purchase Date**"), a purchase notice (the "**Substitute Loans Notice**") to the Issuer with details of the relevant Substitute Loans (including the Substitute Loans Purchase Price) to be sold on such Substitute Loans Purchase Date, subject to (a) the relevant Substitute Loans satisfying the Substitution Criteria and (b) such Substitute Loans Purchase Date being prior to the Substitute Loans Acquisition Expiry Date.

"Substitute Loans Purchase Price" means in respect of the Substitute Loans, the amount of the consideration paid or to be paid to the Originator for the purchase of the Substitute Loans on the Substitute Loans Purchase Date, such amount being equal to the Principal Outstanding Balance of such Substitute Loans as at the Substitute Loans Purchase Date plus Deferred Consideration.

"Substitute Loans Acquisition Expiry Date" means in relation to any sums credited to the Substitute Loans GIC Account, the Calculation Date immediately prior to the date which falls 18 months after the end of the Issuer Accounting Period in which such sums were received, **provided that**, the Substitute Loans Acquisition Expiry Date shall not fall on a date later than the Payment Date in October 2013.

An amount equal to the Undrawn Commitment of the relevant Substitute Loans will be transferred to the Further Advances Fund GIC Account on the Substitute Loans Purchase Date.

The purchase by the Issuer of any Substitute Loans will be subject to a number of conditions (the "**Substitution Criteria**"), which include that, unless Fitch has confirmed that in case of non-compliance to all Substitution Criteria such purchase will not affect the then prevailing rating of any outstanding Notes, at the relevant date of completion of the sale and purchase of such Substitute Loans:

- (a) the corporate rating of the Originator has not been downgraded below BBB by Fitch;
- (b) the Originator confirms that all representations and warranties given on the Closing Date are valid on the Substitute Loans Purchase Date in respect of all Substitute Loans purchased by the Issuer on such Substitute Loans Purchase Date;
- (c) the Substitute Loans and relevant Mortgage Loans meet the Mortgage Loan Criteria;

- (d) the Available Principal Receipts are sufficient to pay the Substitute Loans Purchase Price for the Substitute Loans;
- (e) no Event of Default has taken place in accordance with Condition 12;
- (f) none of the Notes shall have been downgraded by Fitch;
- (g) there has been no failure by the Originator to repurchase any Mortgage Loan which it is required to repurchase pursuant to the Mortgage Sale Agreement;
- (h) no amounts are being drawn under the Liquidity Facility;
- (i) the cumulative Principal Loss in relation to the Portfolio does not exceed 2 per cent. of the Principal Outstanding Balance at the Closing Date of Mortgage Loans in the Portfolio;
- (j) the Principal Outstanding Balance of Mortgage Loans that are Non-Performing Loans does not exceed 5 per cent. at any time of the Principal Outstanding Balance of the Mortgage Loans in the Portfolio;
- (k) after inclusion of the Substitute Mortgage Loans, the Portfolio Criteria will be met;
- (l) the Substitute Loan is secured on a Mortgage Asset the value of which has been determined in accordance with the underwriting policies and procedures no earlier than 3 months prior to the Substitute Loans Purchase Date;
- (m) the Substitute Loan is, in the reasonable opinion of the Servicer, secured on a Mortgage Asset that is similar in quality to the Mortgage Asset being substituted; and
- (n) the Substitute Loan does not and has not at any time carried:
 - (i) a right of conversion into shares or other securities, or to the acquisition of shares or other securities, including loan capital of the same description;
 - (ii) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital;
 - (iii) a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the results of, or of any part of, a business or to the value of any property; or
 - (iv) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of The Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000.

Portfolio Criteria (the "Portfolio Criteria"):

- (a) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK Yorkshire/Humber (Metropolitan) shall not exceed 22 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (b) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK Yorkshire/Humber (Regional) shall not exceed 6.5 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (c) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK North West (Regional) shall not exceed 13.5 per cent. of the Principal Outstanding Balance in relation to the Portfolio;

- (d) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK North West (Metropolitan) shall not exceed 22 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (e) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK South West (Metropolitan) shall not exceed 10 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (f) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK East Midlands (Regional) shall not exceed 9 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (g) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in UK West Midlands (Regional) shall not exceed 9 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (h) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets located in any other region shall not exceed 7 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (i) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are an industrial property shall not exceed 36 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (j) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are an office shall not exceed 30 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (k) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are a retail property shall not exceed 38 per cent. of the Principal Outstanding in relation to the Portfolio;
- (l) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are a residential property shall not exceed 5 per cent. of the Principal Outstanding in relation to the Portfolio;
- (m) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are a bingo hall, bowling alley, cinema, data centre, gym, petrol station, church, school, nursing home, car showroom, gaming hall, hotel or land, on normal market terms, shall not exceed 5 per cent. of Principal Outstanding Balance in relation to the Portfolio;
- (n) The aggregate of the *pro rata* Principal Outstanding Balance in relation to Mortgage Loans in respect of Mortgage Assets, which are Not Stabilized Assets shall not exceed 7.5 per cent. of the Principal Outstanding Balance in relation to the Portfolio;
- (o) The weighted average LTV of all Mortgage Loans in the Portfolio shall not exceed 71 per cent;
- (p) The aggregate of the Principal Outstanding Balance in relation to (i) Mortgage Loans which have an LTV higher than 80 per cent. shall not exceed 8 per cent. of the Principal Outstanding Balance of the Portfolio, and (ii) Mortgage Loans which have an LTV higher than 75 per cent. shall not exceed 25 per cent. of the Principal Outstanding Balance of the Portfolio;
- (q) The weighted average Interest Cover Percentage in respect of the Mortgage Loans in the Portfolio shall not be lower than 127.5 per cent; for the calculation of this criterion any rental income in a Mortgage Asset in relation to any owner occupier shall not be taken into consideration;
- (r) The aggregate of the Principal Outstanding Balance in relation to Mortgage Loans which have an Interest Cover Percentage lower than 100 per cent. shall not exceed 8 per cent. of the Principal Outstanding Balance in relation to the Portfolio;

- (s) The Herfindahl Index shall be smaller than 4 per cent;
- (t) The weighted average time to scheduled maturity in respect of the Mortgage Loans in the Portfolio shall not exceed 36 months; and
- (u) The weighted average time to lease expiration date in respect of the Mortgage Loans in the Loan Portfolio will not be less than 8 years.

Mortgage Loan Criteria:

Each of the Mortgage Loans will meet the following criteria (the "**Mortgage Loan Criteria**"):

- (a) The Mortgage Loans have been originated in NMR's ordinary course of business;
- (b) All Mortgage Loans are governed by the laws of the United Kingdom;
- (c) All Mortgage Loans have been originated in compliance with the applicable underwriting policies and procedures;
- (d) No Mortgage Loan or, if such Mortgage Loan is part of a Mortgage Loan Group, the Mortgage Loan Group, had, on the relevant purchase date, an LTV greater than 100 per cent. whereby "LTV" means the aggregate outstanding principal amount of the Mortgage Loan Group granted to a Borrower secured by the relevant Mortgage Assets;
- (e) The Mortgage Loan will not have a legal maturity beyond 7 years;
- (f) Each Mortgage Loan is denominated in Sterling; and
- (g) Each Mortgage Loan Receivable has an internal rating determined in accordance with standard underwriting guidelines of the Originator.

"**Herfindahl Index**" means (A) the aggregate of the squared principal amount outstanding under the Mortgage Loan Group, divided by (B) the aggregate principal amount outstanding under all Mortgage Loans, squared.

"**Interest Cover Percentage**" or "**ICR**" means, with respect to a Mortgage Loan or Mortgage Loan Group, the annual net rental income generated from the relevant Property or Properties expressed as a percentage of the interest expected to be payable in respect of such Mortgage Loan or Mortgage Loan Group during the next twelve Collection Periods.

"**Mortgage Loan Group**" means any group of Mortgage Loans which are cross collateralised and cross defaulting.

"**Not Stabilised Assets**" means any Property which has an occupancy rate of less than 30 per cent.

Originator Purchase Option

Where the Servicer is unable to waive, vary or amend a Borrower Loan Agreement in respect of a Mortgage Loan due to Clause 10.6 (Documentation Changes) of the Servicing Agreement; or where in relation to a Mortgage Loan which is a syndicated loan, a lender intends to exercise its option to purchase such Mortgage Loan, the Issuer shall assign with full title guarantee, and the Originator agrees to buy (subject to the Borrowers' subsisting rights of redemption) all right, title, interest and Benefit of the Issuer (both present and future and whether legal, equitable or beneficial) in and under such Mortgage Loan and its related Borrower Loan Agreement, Mortgage and Collateral Security. The Originator shall serve written notice upon the Issuer of the occurrence of the above events and specify (a) the date on which the applicable Mortgage Loan and its Mortgage and Collateral Security will be purchased by the Originator and (b) the price that the Originator will pay.

Representations and Warranties

Neither the Issuer nor the Trustee has made (or will make) any of the enquiries, searches or investigations which a prudent purchaser would normally make in relation to the Mortgage Loans or Collateral Security

purchased on the Closing Date, although certain of the reports, valuations and certificates in respect of certain of the Mortgage Loans contemplate the transactions described herein and permit assignment to the Issuer. In addition, neither the Issuer nor the Trustee has made or will make any enquiry, search or investigation at any time in relation to compliance by the Originator or any other person with respect to the Lending Criteria or procedures or their adequacy or in relation to the provisions of the Mortgage Sale Agreement, the Servicing Agreement or the Security Deed or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of any Mortgage Loan or the Collateral Security purchased on the Closing Date.

In relation to all the foregoing matters concerning the Mortgage Loans, the Mortgages and the Collateral Security and the circumstances in which advances were made to Borrowers prior to their purchase by the Issuer, both the Issuer and the Trustee will rely entirely on the representations and warranties to be given by the Originator in the Mortgage Sale Agreement.

If there arises a breach of any such warranty, the Originator will, within ten Business Days of such breach, notify the Issuer and the Trustee in writing of the breach (a "**Relevant Breach**"). The Originator will be required, if a Relevant Breach is capable of remedy, to remedy such Relevant Breach within 60 days of becoming aware of such breach.

However, if the breach is not capable of remedy, or if it is capable of remedy but is not so remedied within the specified period, the Originator will be required to repurchase the Mortgage Loan in respect of the breach of warranty, which, in the case of warranty (a) below (both when given on the Closing Date and on each Payment Date) shall mean such Mortgage Loans as selected by the Servicer for repurchase such that following repurchase the warranty will be complied with.

The representations and warranties from the Originator will be given on the Closing Date in respect of the Mortgage Loans and the Substitute Loans on the relevant Substitute Loans Purchase Date and in respect of the Further Advances on the Further Advance Purchase Date (as if reference to a Mortgage Loan were to such Further Advances or Substitute Loan (but subject as disclosed in this Prospectus) and will include statements to the following effect (in the following list, references to any "Borrower" shall, where applicable, also refer to any guarantor of the obligations of such Borrower):

- (a) the Portfolio Criteria are satisfied;
- (b) each of the Mortgage Loans carries a right to payment of principal of not less than the principal amount outstanding in respect thereof as shown in the Mortgage Loan Schedule;
- (c) each Borrower Loan Agreement (including in relation to any Further Advances) and the related Mortgages and Collateral security were duly executed by the relevant parties and each Mortgage Asset constitutes a legal, valid, binding and enforceable obligation of the Borrower and/or the relevant Mortgagor, as applicable, and may not be avoided or set aside (whether as a result of the insolvency or other matter effecting the Borrower or Mortgagor);
- (d) subject to completion of any registration or recording of the Mortgage which may be pending at the Land Registry or (as applicable) the Registers of Scotland, each Mortgage constitutes a valid and subsisting first or first and sequentially lower charge by way of legal mortgage or (as applicable) standard security over the relevant Property;
- (e) the Mortgage Assets are the absolute property of the Originator (subject to the terms of the Mortgage Sale Agreement) free and clear of all mortgages, charges, securities, liens, encumbrances, claims and equities except in relation to (i) Bluemantle Limited, Oakgate (Newark), Pendle Bracken and Wrather Syndicate where the Originator has the benefit of a security interest which is subordinated to the rights of a senior lender, (ii) where permitted by the Servicing Agreement and (iii) where an entity other than the Originator holds legal title to a Mortgage in security trust for the Originator as security trustee;
- (f) except in relation to Brigdale Limited/Towngate PLC, Bluemantle Limited and Wrather Syndicate where the consent of the second ranking chargee or security holder is required if a receiver is appointed over all assets of the relevant Borrower or where permitted by the Servicing Agreement, the Mortgage Asset documentation in respect of each Property which is financed by both a Mortgage Loan provided by the Originator and one or more subordinate loans provided by

the Originator and/or a third party provides that, in the event of a default by the Borrower and/or Mortgagor pursuant to the terms of the relevant Mortgage Asset, the Originator (or the Servicer acting on its behalf) will have in all material respects the rights and powers of a senior lender, including the right to accelerate the Mortgage Loan and enforce the security without requiring the consent of any subordinated lender or the holder of security;

- (g) no Borrower or Mortgagor is entitled to exercise any right of set-off or counterclaim against the Originator in respect of any amount which is payable under its Mortgage Loan(s) or Mortgage(s) or any guarantee(s) which it provides in respect of a Mortgage Loan;
- (h) all documents which may be needed to (a) enforce any Mortgage Asset or (b) be produced in evidence in connection with the proceedings relating to a Mortgage Asset in the courts of the United Kingdom have been duly registered, stamped or, as the case may be, adjudicated (except for stock transfer forms);
- (i) no Mortgage Loan is in whole or in part a consumer credit agreement as defined by the CCA nor does any Mortgage Loan constitute any other agreement regulated by the CCA;
- (j) under each Mortgage Loan, the relevant Property is held by the Borrower or the Mortgagor, as the case may be, free from any encumbrance (other than (i) the Mortgage, (ii) any encumbrance which was taken into account at the time the Mortgage Loan was made or (iii) charges which have been fully subordinated and postponed to the relevant Mortgage), which would materially and adversely affect either the title to the relevant Property or the value for security purposes set out in the report in respect of the valuation carried out for or on behalf of the Originator;
- (k) if the Property was not registered, the relevant Borrower or Mortgagor, as the case may be, had at the date of the initial advance under the relevant Mortgage Loan, a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or, if the Property was registered, it was registered or was in the course of registration with title absolute, in the case of freehold property, or absolute or good leasehold title, in the case of leasehold property or (in the case of Scottish Properties) the relevant Borrower or Mortgagor, as the case may be, had at the date of the initial advance under the relevant Mortgage Loan, a valid and marketable title to that Property, duly registered or recorded (or in the course of registration or recording) in the Registers of Scotland (with no exclusion of indemnity in the case of registered titles);
- (l) the Originator in its capacity as lender or the agent on behalf of the other lenders took or is in the process of taking all reasonable steps to perfect the Originator's title to each Mortgage Loan and, subject to the terms of the Mortgage Sale Agreement and warranty (e) above, the Originator or the relevant security trustee has an absolute right to be registered as proprietor or heritable creditor of such Mortgage as first ranking or first and sequentially lower mortgagee of the relevant Property;
- (m) in the case of each Mortgage (not being a Mortgage over a Property comprised in a newly granted lease), title to which is registered, an application for registration or recording of such Mortgage has been delivered to the Land Registry within the priority period conferred by an official search against the relevant title at the Land Registry or, in respect of Scottish Mortgages, to the Registers of Scotland as soon as practicably possible following execution thereof;
- (n) in the case of each Mortgage (not being a Mortgage over a Property comprised in a newly granted lease), title to which was, at the time the initial advance was made, unregistered, such Mortgage was completed within the priority period conferred by an official search at the Land Charges Department and where necessary application was made for first registration within two months of completion of the relevant acquisition by the Borrower or the Mortgagor, as the case may be;
- (o) in relation to each Mortgage comprised in a newly granted lease relating to Properties in England and Wales (i) where the lessor's title is registered, an application for registration has been delivered to the Land Registry within the priority period conferred by an official search against the relevant title at the Land Registry and (ii) where the lessor's title is unregistered, such Mortgage was completed within the priority period conferred by an official search at the Land

Charges Department and where necessary application was made for first registration within two months of completion of the relevant acquisition by the Borrower or the Mortgagor, as the case may be, in accordance with Section 123 of the Land Registration Act 1925;

- (p) the Originator has not received written notice and is not otherwise aware of any litigation or claim calling into question in any way the Originator's title to any Mortgage Asset;
- (q) all the Title Deeds and the correspondence files relating to each of the Mortgage Loans and Mortgages are held by or to the order of the Originator or the relevant security trustee or have been lodged by the Originator or the relevant security trustee at the Land Registry or (as applicable) the Registers of Scotland;
- (r) if the Property is leasehold, the terms of the lease (taking into account any collateral arrangements with the relevant landlord) are such that a prudent mortgage lender acting reasonably would regard them as acceptable for the purposes of comprising security for the relevant Mortgage Loan;
- (s) particulars of each Mortgage and, where applicable, the Collateral Security were delivered, where applicable, to the relevant Companies Registry within 21 days of the creation thereof pursuant to sections 395 or 410 of the Companies Act 1985;
- (t) interest on the Mortgage Loans is not "relevant loan interest" paid or payable by a "qualifying borrower" for the purposes of sections 369 to 379 of the Income and Corporation Taxes Act 1988;
- (u) in respect of each Mortgage Loan, neither the relevant Borrower nor the relevant Mortgagor is required to withhold or deduct for or on account of tax (whether in the United Kingdom or elsewhere) in respect of any payment to the Originator pursuant to the terms of that Mortgage Loan or any related guarantee;
- (v) in relation to Mortgage Loans made to Borrowers which are not resident in the United Kingdom for tax purposes:
 - (i) there are arrangements that all rents payable to the relevant Borrower are paid to an agent who is resident in the United Kingdom without deduction for or withholding of income tax;
 - (ii) all rents received by such agent are paid into the Originator Account without any deduction for or withholding of income tax; and
 - (iii) such Borrowers only own Properties situate in the United Kingdom;
- (w) all steps (including the consent of any person) required for the Originator to effect an un-notified transfer of the Mortgage Loans to the Issuer pursuant to the Mortgage Sale Agreement have been taken;
- (x) there is no restriction against assignment or assignation to the Issuer of the Mortgages, the Mortgage Loans and the Collateral Security and there is no other formality to be complied with in relation thereto that has not been complied with;
- (y) each Mortgage Loan was made in compliance with the Lending Criteria;
- (z) all of the Mortgage Loans are money debts arising from advances of money to companies incorporated under the Companies Act 1985, or other entities being bodies corporate, or building societies, or a limited liability partnership or general partnership carrying on a trade or other business with a view to profit the members of which are all such companies or other entities, and the Mortgage Loans are all owed by such companies or other entities or limited liability partnership acting as principal for their own account and are secured by mortgages over commercial property situated in the United Kingdom. All interest paid by Borrowers will be received into the Originator Account. None of the Mortgage Loans will include any right which would prevent a Mortgage qualifying for exemption from all stamp duties under section 79 of the Finance Act 1986;

- (aa) the Mortgage Loans are each repayable in cash at a specific date, arise from advances of money to the Borrowers and are not ranked *pari passu* with or subordinated to any class of share capital;
- (bb) the Mortgage Loans (except with respect to the PS Mortgage Loans) do not carry and have not carried any of the following rights:
 - (i) a right of conversion into shares or other securities, or to the acquisition of shares or other securities, including loan capital of the same description;
 - (ii) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital; or
 - (iii) a right to interest the amount of which falls or has fallen to be determined to any extent by reference to the result of, or any part of, a business or the value of any property;
 - (iv) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
- (cc) none of the Mortgage Loans nor any interest in any of them is a security of such a description as to be capable of being sold in any stock market in the United Kingdom;
- (dd) neither the signing nor the delivery of nor the performance by it of its obligations under, nor the transactions contemplated by, the Mortgage Sale Agreement or any other Primary Transaction Document to which it is a party does or will contravene or constitute a default under, or cause to be exceeded any limitation on it or the powers of its directors imposed by or contained in, or cause it to be in breach of any obligation imposed on it under, (i) any law by which it or any of its assets is bound or affected, (ii) its Memorandum and Articles of Association, or (iii) any agreement to which it is a party or by which any of its assets is bound;
- (ee) all licences, consents and approvals of any court, government department or other regulatory body required by it for execution and delivery of and the performance of its obligations under the Mortgage Sale Agreement or any other Primary Transaction Document to which it is a party have been obtained and are in full force and effect and there are no conditions or limitations imposed thereon which would or may prevent it from carrying out its material obligations hereunder;
- (ff) no litigation, arbitration or administrative proceeding or claim is presently in progress or pending or, to the knowledge of the Originator, threatened against it which might adversely affect in any material respect the ability of the Originator to perform its obligations under the Mortgage Sale Agreement;
- (gg) the obligations expressed to be assumed by the Originator under the Mortgage Sale Agreement are legal and valid obligations binding on it and enforceable against it in accordance with their respective terms;
- (hh) each individual executing the Mortgage Sale Agreement on the Originator's behalf has been duly empowered to so execute and all necessary action to authorise execution of the Mortgage Sale Agreement by such person has been taken by the Originator;
- (ii) the Originator is a Bank as defined for the purpose of Section 879 of the Income Tax Act 2007 and is within the charge to United Kingdom Corporation tax at all relevant times;
- (jj) the Originator is resident for tax purposes in the United Kingdom;
- (kk) the Originator's management, the place at which meetings of the board of directors of the Originator are held and the place from which the Originator's interests are administered on a regular basis are all situated in England;
- (ll) the accounting reference date of the Originator is 31 March;

- (mm) no governmental or official investigation or inquiry concerning the Originator is, so far as the Originator is aware, progressing or pending or has been threatened which may have a material adverse effect on the Originator, any Transaction Document to which it is a party or any Mortgage Assets;
- (nn) the Originator has duly and validly executed the Primary Transaction Documents to which it is a party;
- (oo) all acts, conditions and things required to be done, fulfilled and performed in order, (i) to enable the Originator lawfully to enter into each Primary Document to which it is a party; (ii) to enable the Originator lawfully to exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Primary Transaction Documents to which it is a party; (iii) to ensure that the obligations expressed to be assumed by it in the Primary Transaction Documents to which it is a party are legal, valid, binding and enforceable against it; (iv) to make the Primary Transaction Documents to which it is a party that are expressed to be governed by English Law admissible in evidence in England, and (v) have been done, fulfilled and performed and are in full force and effect or, as the case may be, have been effected and no steps have been taken to challenge, revoke or cancel any such authorisation obtained or effected;
- (pp) the obligations expressed to be assumed by the Originator under the Primary Transaction Documents to which it is a party are legal and valid obligations binding on it and enforceable against it in accordance with their terms, except; (i) as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally; (ii) as such enforceability may be limited by the effect of general principles of equity; and (iii) obligations relating to stamp duties may be void by virtue of Section 117 of the Stamp Act 1891;
- (qq) the Primary Transaction Documents to which it is a party have been entered into by the Originator in good faith for the Benefit of the Originator and on arms' length commercial terms;
- (rr) the Prospectus contains all information regarding the Originator and its business, the Portfolio and otherwise which is to the best of the information, knowledge and belief of the Originator (in the context of the issue of the Notes) material; (i) such information is true and accurate in all material respects and not misleading in any material respect; (ii) any opinions, predictions and intentions expressed in the Prospectus on the part of the Originator are honestly held or made after due and careful consideration of all circumstances and based on reasonable assumptions and are not misleading in any material respect; (iii) the Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and (iv) the Originator has made all proper enquiries to ascertain and to verify the foregoing; and
- (ss) the Originator complied in all material respects with the terms of the relevant Primary Transaction Documents.
- (tt) each Mortgage Loan is secured by a Mortgage or Mortgages on the terms of a charge prepared by an approved solicitor instructed by the Servicer on behalf of the Originator, which terms would be acceptable to a prudent lender acting reasonably;
- (uu) all owners of the legal estate or title to each Property which is the subject of each Mortgage have joined as parties to the relevant Mortgage;
- (vv) if the Property subject to a Mortgage is leasehold, any requisite consent of the landlord and any required notice to the landlord of the creation of such Mortgage has been obtained or given and the relevant lease contains no provisions whereby it may be forfeited or irritated on the bankruptcy or liquidation of the lessee or on any other ground except breach of covenant of the tenant's obligations or non-payment of rent by the lessee;
- (ww) where an Encumbrance (which would have otherwise ranked ahead of, or *pari passu* with, any Debenture or Mortgage) is postponed to and ranks in priority behind that Debenture or Mortgage by virtue of a deed of priorities or postponement or ranking agreement, the right, title and interest of the Originator or the relevant security trustee in each relevant deed of priorities or

postponement or ranking agreement may be assigned absolutely to the Issuer and/or the Trustee or a third party;

- (xx) if, on any date on which an amount of principal and interest is due to be paid by a Borrower in respect of a Mortgage Loan, the Borrower does not pay the full amount due, nothing in the related Borrower Loan Agreement prevents the Originator from treating the amount received from the Borrower as discharging the Borrower's obligation to pay interest before principal;
- (yy) the particulars of each Mortgage Loan set out in the Mortgage Loan Schedule delivered pursuant to the Mortgage Sale Agreement are complete, true and accurate in all material respects;
- (zz) each Mortgage Loan is secured on and each Mortgage relates to a Property situated in England and Wales or Scotland;
- (aaa) prior to making the initial advance under each Mortgage Loan, a Valuation of each relevant Property was undertaken on behalf of the Originator by an Approved Valuer appointed by the Originator;
- (bbb) prior to making the initial advance under each Mortgage Loan the Originator carried out or caused to be carried out all investigations, searches and other actions and made such enquiries as to the relevant Borrower's and, as the case may be, any mortgagor's status and obtained such consents (if any) as would a prudent lender acting reasonably having regard to all the relevant circumstances at such time including the amount of such advance and the Property offered as security therefore and nothing which would cause such a lender to decline to proceed with the initial advance on the proposed terms was disclosed or if disclosed, the proposed terms were subject to such modifications as would be acceptable to a prudent lender acting reasonably;
- (ccc) all data items of a factual nature set out in the Mortgage Loan Database delivered by the Originator to the Issuer on the Closing Date are so far as the Originator is aware true and accurate in all material respects;
- (ddd) each Property to which a Mortgage relates is either (i) covered by buildings insurance maintained by the relevant Borrower, or another person with an interest in the relevant Property, in an amount equal to or greater than the amount which a qualified surveyor or an Approved Valuer engaged or approved by the Originator estimated to be equal to such Property's reinstatement value (including any improvements to the Property contemplated by the terms of the Mortgage Loan) at the time of the initial advance under the Mortgage Loan of such Borrower or, if later, at the time of acquisition of the relevant Property by the relevant Borrower, or (ii) let to a tenant which was of such financial standing that a prudent lender acting reasonably would allow such tenant to arrange for the insurance of such Property (which tenant was obliged to maintain such insurance under the terms of the lease of the relevant Property) or (iii) let to a tenant which was a department, agency or organisation of, or which was supported by, HM Government which self-insures, and in respect of the insurance referred to in (i) above, the Originator was or was in the course of being either co-insured, or, noted on each policy or its interest was included in the relevant policy under a "general interest noted" provision thereunder and the Originator has not received written notice that such insurance was about to lapse on account of a failure by the relevant entity maintaining such insurance to pay the relevant premium;
- (eee) if the Property is leasehold the Originator has not received written notice of any material unremedied breaches of the lease;
- (fff) the Originator has not received written notice nor otherwise aware that any Borrower was bankrupt or has been sequestrated or has gone into liquidation or receivership or has had a winding-up or administration order made against it or had been dissolved or otherwise has ceased to exist;
- (ggg) in respect of the lease or leases to which each Property is subject, such lease or leases is, at the time of the initial advance under the relevant Mortgage Loan, on terms which would have been acceptable to a prudent lender acting reasonably;

- (hhh) the Originator is not aware of any claim which is still outstanding having been made in respect of any insurance contract relating to any of the Properties;
- (iii) the Originator:
 - (i) does not have knowledge of any claim against a Borrower under any Environmental Laws in relation to any Property which would, if adversely determined, materially and adversely affect the latest Valuation of the relevant Property; and
 - (ii) has not received written notice of any matter likely, in the opinion of a prudent lender acting reasonably, to give rise to environmental liability for the Borrower in the foreseeable future that would materially and adversely affect the latest Valuation of the relevant Property;

for the purposes of this paragraph, "**Environmental Laws**" means all applicable laws (including common law), statutes, regulations, statutory guidance notes and final and binding court and other tribunal decisions (including the law of the European Union) in force at the date hereof which relate to pollution or protection of the environment or which relate to emissions, discharges, hazardous substances, noise or nuisance provided that, for the purposes of this definition, Part II A of the Environment Protection Act 1990 and associated statutory guidance and regulations) shall be deemed to have come into force and effect prior to the closing date in respect of each relevant Mortgage Loan (in the form first in force);

- (jjj) prior to making the initial advance under each Mortgage Loan no express recommendation was received by the Originator from a surveyor or an Approved Valuer to carry out any environmental audit, property condition survey or other similar report which was not carried out and the results of any such environmental audit, property condition survey or other similar report which was procured by the Originator would, as at that date, have been acceptable to a prudent lender acting reasonably and were taken into account in the relevant Valuation;
- (kkk) in the case of each Property the relevant Buildings Insurance Policy generally covers loss of rent for a period of not less than three years;
- (lll) the Originator made available to the relevant Approved Valuer a copy of the report on title or certificate of title prepared by the solicitor appointed by or approved by the Originator for the relevant Approved Valuer to comment on in accordance with the Lending Criteria and credit policy in force at the relevant time;
- (mmm) the Originator made available to the relevant solicitor a copy of the Valuation prepared by the Approved Valuer appointed by or approved by the Originator for the relevant solicitor to comment on in accordance with the Lending Criteria and credit policy in force at the relevant time;
- (nnn) the Originator has not received written notice that any Buildings Insurance Policy is about to lapse;
- (ooo) no representations or warranties have been made to the Borrowers or Mortgagors by the Originator, and there are no other terms and conditions applicable to any Mortgage Asset, other than in each case, those set out or referred to in the Borrower Documents relating to each Mortgage Loan;
- (ppp) the Originator has, since the origination of each Mortgage Loan, kept full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to each Mortgage Loan which are complete and accurate in all material respects. All such accounts, books and records are up to date and are held by, or to the order of, the Originator;
- (qqq) the Originator is not aware of any material default, material breach or material violation under any Mortgage Asset which has not been remedied or cured or of any outstanding material default, material breach or material violation by a Borrower, Guarantor or Mortgagor under any Borrower Document or of any outstanding event which with the giving of notice and/or the expiration of any applicable grace period and/or making of any determination, would constitute such a material default, material breach or material violation;

- (rrr) the Originator has performed in all material respects all its obligations under or in connection with each Mortgage Loan, Mortgage and Collateral Security and so far as the Originator is aware no Borrower, Guarantor or Mortgagor has taken or has notified the Originator in writing of its intention to take any action against the Originator for any material failure on the part of the Originator to perform any such obligations;
- (sss) no amount of principal or interest due from any Borrower under any Borrower Loan Agreement at the date hereof is more than 7 days overdue at the date hereof;
- (ttt) the Originator has not breached any undertaking given by or on behalf of the Originator to the Land Registry or (as applicable) the Registers of Scotland in respect of any documentation which has been approved by it in relation to the Mortgages;
- (uuu) no Mortgage Loan (other than the Mortgage Loan to Egerton Investments Limited) has been discharged, terminated, redeemed, cancelled, rescinded or repudiated and neither the Originator nor any Borrower has given any written intention to do so;
- (vvv) as of the date hereof, the Originator has not received written notice of any default or forfeiture or irritancy of any occupational lease granted in respect of a Property or of the insolvency of any tenant of a Property which would render the relevant Property unacceptable (assessed by reference to the Servicing Standard) as security for a Mortgage Loan secured by the Mortgage over that Property;
- (www) the Originator is not aware of any circumstances giving rise to a material reduction in the value of any Property since the Cut-Off Date other than as a result of market forces affecting the value of comparable properties in the area;
- (xxx) so far as the Originator is aware, interest is charged on each Mortgage Loan at a rate determined in accordance with the provisions of the relevant Borrower Loan Agreement;

For the purposes of this section, "**Approved Valuer**" means a firm of valuers as may from time to time be agreed by the Servicer.

Further, on each Payment Date following the Closing Date, the Originator will represent and warrant to the Issuer that the Portfolio Criteria are satisfied. If such warranty is breached, the Originator will be required to repurchase one or more Mortgage Loans as selected by the Servicer such that following repurchase the warranty will be complied with.

BANK ACCOUNTS AND CASH MANAGEMENT

The Originator Account

Each Mortgage Loan is evidenced by a loan facility agreement (each a "**Borrower Loan Agreement**") Each Borrower Loan Agreement requires the applicable Borrower to pay interest and repay principal into the Originator Account on the relevant due date (each a "**Borrower Loan Payment Date**").

The Servicer will transfer funds paid into the Originator Account during a Collection Period to the Issuer Transaction Account, one day prior to the next Payment Date. However, if NMR ceased to be rated F1 or better by Fitch or if on any Business Day an amount in excess of £15,000,000 representing principal and interest payments from the Borrowers is standing to the credit of the Originator Account, the Servicer will transfer amounts from the Originator Account to the Issuer Transaction Account, two Business Days following receipt into the Originator Account. If NMR ceases to be rated F2 or better by Fitch, NMR will arrange for the amounts standing to the credit of the Originator Account to be guaranteed by an Authorised Entity.

The Servicer will, after payment of those obligations of the Issuer having a higher priority, apply such funds in the Issuer Transaction Account in payment of, among other things, interest due on the Notes and, where applicable, in repayment of principal of the Notes.

The Account Banks, the GIC Provider and the Issuer Accounts

HSBC Bank plc in its capacity as the Issuer Account Bank will act through its office located at 8 Canada Square, London E14 5HQ. It will act as the account bank pursuant to the Issuer Account Bank Agreement in relation to the Issuer Transaction Account and the Reserve Account ("**HSBC Accounts**"), each in the name of the Issuer. The unsecured, unsubordinated debt obligations of the Issuer Account Bank are rated "F1+" (short-term) and "AA" (long-term) by Fitch.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch in its capacity as the Liquidity Reserve Account Bank will act through its office located at Thames Court, One Queenhithe, London EC4V 3RL. It will act as the account bank pursuant to the Liquidity Reserve Account Bank Agreement in relation to the Liquidity Reserve Drawing Account ("**Liquidity Reserve Drawing Account**"), each in the name of the Issuer. The unsecured, unsubordinated debt obligations of Liquidity Reserve Account Bank are rated "F1+" (short-term) and "AA+" (long-term) by Fitch.

NMR in its capacity as the GIC Provider will act through its office located at New Court, St. Swithin's Lane, London EC4P 4DU. It will act as the account bank pursuant to the GIC Agreement in relation to the Substitute Loans GIC Account and the Further Advances Fund GIC Account ("**GIC Accounts**"), each in the name of the Issuer. The unsecured, unsubordinated debt obligations of the GIC Provider are rated "F1" (short-term) and "A" (long-term) by Fitch.

Under the Servicing Agreement, the Servicer will agree to manage the Issuer Accounts on behalf of the Issuer. The Servicer will agree that, in performing the services to be performed and in exercising its discretions under the Servicing Agreement in respect of the Issuer Accounts, it will act in accordance with the Servicing Standard and that it will comply with any directions, orders and instructions which the Issuer or the Trustee may from time to time give to the Servicer as the case may be, in accordance with the provisions of the Servicing Agreement.

Issuer Transaction Account

Pursuant to the Issuer Account Bank Agreement, the Issuer Account Bank will open and maintain a transaction account in the name of the Issuer (the "**Issuer Transaction Account**").

The Servicer will transfer all amounts paid into the Originator Account by the Borrowers into the Issuer Transaction Account and will make all payments required to be made on behalf of the Issuer from the Issuer Transaction Account. On any day when there are amounts standing to the credit of the Issuer Transaction Account, the Servicer may, on behalf of the Issuer, invest such funds in Eligible Investments in order to ensure that the Issuer earns a guaranteed rate of return on such funds.

Liquidity Reserve Drawing Account

Any Liquidity Reserve Drawing which the Issuer may require from the Liquidity Facility Provider (see "Resources Available to the Issuer – Liquidity Facility") will be credited to an account in the name of the Issuer (the "**Liquidity Reserve Drawing Account**") with the Liquidity Reserve Account Bank or, if the Liquidity Reserve Account Bank ceases to have the Minimum Short-Term Rating, any bank which has the Minimum Short-Term Rating.

Reserve Account

Any transfer made pursuant to item (g) of the Pre-Enforcement Revenue Payments Priorities (see "Resources Available to the Issuer -Pre-Enforcement Payments Priorities – Available Revenue Receipts") will be credited to an account in the name of the Issuer (the "**Reserve Account**") with the Issuer Account Bank or, if the Issuer Account Bank ceases to have the Minimum Short-Term Rating, any bank which has the Minimum Short-Term Rating. On any day when there are amounts standing to the credit of the Reserve Account, the Servicer may, on behalf of the Issuer, invest such funds in Eligible Investments in order to ensure that the Issuer earns a guaranteed rate of return on such funds.

Further Advances Fund GIC Account

The Further Advances Fund GIC Account will be opened and maintained with the GIC Provider and will be credited on the Closing Date with the relevant amount in respect of the Further Advances Fund. At any time prior to the Further Advances Fund Expiry Date, and notwithstanding the Pre-Enforcement Payments Priorities, the Issuer may use monies standing to the credit of the Further Advances Fund GIC Account to fund the acquisition of any Further Advances and its related Mortgages and Collateral Security. Furthermore, an amount equal to the Undrawn Commitment of the relevant Substitute Loans will be transferred to the Further Advances Fund GIC Account on the Substitute Loans Purchase Date.

Substitute Loans GIC Account

The Substitute Loans GIC Account will be opened and maintained with the GIC Provider and will be credited on any Payment Date with the Substitute Loans Retained Amount. At any time prior to the Substitute Loans Expiry Date the Issuer may use monies standing to the credit of the Substitute Loans GIC Account to (i) fund the acquisition of any Substitute Loans and its related Mortgages and Collateral Security or (ii) redeem the Notes.

"Minimum Short-Term Rating" means, in respect of any person, such person's short term, unsecured, unsubordinated, unguaranteed debt obligations being rated "F1+" by Fitch, unless such person is NMR in which case its short term, unsecured, unsubordinated, unguaranteed debt obligations being rated "F1" by Fitch.

"Minimum Long-term Rating" means, in respect of any person, such person's long term, unsecured, unsubordinated, unguaranteed debt obligations being rated "A+" by Fitch, unless such person is NMR in which case its long term, unsecured, unsubordinated, unguaranteed debt obligations being rated "A" by Fitch;

"Further Advances Fund Expiry Date" means in relation to any sums credited to the Further Advances Funds GIC Account, the Calculation Date immediately prior to the date which falls 18 months after the end of the Issuer Accounting Period in which such sums were received.

Calculation of Amounts and Payments

Under the Servicing Agreement, the Servicer is required to calculate the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the Issuer Accounts. All payments required to be made by the Issuer to the Swap Counterparty under the Swap Agreement will be deducted from the Issuer Transaction Account. In addition, all payments made by the Swap Counterparty (other than amounts of Swap Collateral, if any, that are required to be paid by the Swap Counterparty) will be paid into the Issuer Transaction Account. Once such funds have been credited to the Issuer Transaction Account, the Servicer can invest such sums in Eligible Investments and is required to apply such funds in accordance with the Security Deed, the Servicing Agreement as described below.

On each Calculation Date (being the second Business Day prior to the relevant Payment Date), the Servicer is required to:

- (i) determine the various amounts required to pay interest and principal due on the Notes on the forthcoming Payment Date and all other amounts then payable by the Issuer, and the amounts available to make such payments (subject to adjustment for any amounts received on or before that Payment Date); and
- (ii) calculate the Principal Amount Outstanding (as defined in the Conditions) for each class of Notes for the Interest Period commencing on such forthcoming Payment Date and the amount of each Note Principal Payment due on the next following Payment Date, in each case pursuant to Condition 8.2 (*Calculations*).

On each Payment Date, the Servicer will pay on behalf of the Issuer, out of the Available Revenue Receipts, Available Principal Receipts determined by the Servicer to be available for such purposes as described above, each of the payments required to be paid pursuant to and in the priorities set out in the Pre-Enforcement Revenue Payments Priorities and the Pre-Enforcement Principal Payments Priorities, respectively.

The Servicer will make all payments required to carry out an optional redemption of Notes pursuant to and according to the provisions of Condition 8.3 (*Mandatory redemption in part*). See further "*Terms and Conditions of the Notes*".

If the Servicer determines, on any Calculation Date, that a shortfall in respect of funds available to pay interest payments in respect of the Class A Notes will arise on the next following Payment Date, the Servicer will be required to submit a notice of drawdown under the Liquidity Facility Agreement subject to the drawing limitations agreed therein. If the Servicer fails to submit a notice of drawdown when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Trustee may submit the relevant notice of drawdown.

Ledgers

The Servicer will maintain the following ledgers on behalf of the Issuer:

- (a) the Revenue Ledger (as defined in the Conditions);
- (b) the Principal Ledger (as defined in the Conditions);
- (c) the Liquidity Ledger (as defined in the Conditions);
- (d) the Issuer Profit Ledger (as defined in the Conditions);
- (e) the Class A Principal Deficiency Ledger (as defined in the Conditions);
- (f) the Class B Principal Deficiency Ledger (as defined in the Conditions);
- (g) the Swap Collateral Ledger (the "**Swap Collateral Ledger**"); and
- (h) a prepayment charges ledger (the "**Prepayment Charges Ledger**").

In addition, the Servicer will maintain such other ledgers as the Issuer or the Trustee may from time to time request.

The Servicer will from time to time in accordance with the payments made:

- (i) credit the Revenue Ledger with all Available Revenue Receipts transferred and credited to the Issuer Transaction Account and/or the Reserve Account and debit the Revenue Ledger with all payments paid in accordance with the Pre-Enforcement Revenue Payments Priorities;
- (ii) credit the Principal Ledger with all Available Principal Receipts transferred and credited to the Issuer Transaction Account and the Substitute Loans GIC Account and debit the Principal Ledger with all payments paid in accordance with the Pre-Enforcement Principal Payments Priorities;

- (iii) credit the Liquidity Ledger with any transfer made pursuant to item (b)(vi) of the Pre-Enforcement Revenue Payments Priorities and debit the Liquidity Ledger with all drawings under the Liquidity Facility;
- (iv) credit the Issuer Profit Ledger with amounts in accordance with item (k) of the Pre-Enforcement Revenue Payments Priorities and item (e) of the Post-Enforcement Payments Priorities and debit the Issuer Profit Ledger to pay dividends to the shareholder of the Issuer;
- (v) credit the Principal Deficiency Ledgers with any amounts transferred pursuant to items (f) and (i) of the Pre-Enforcement Revenue Payments Priorities and debit the Principal Deficiency Ledgers with any Principal Loss recorded in accordance with the Servicing Agreement and the Conditions. See further under "*Servicing – Principal Losses*" below;
- (vi) credit the Reserve Account with any transfer made pursuant to item (g) of the Pre-Enforcement Revenue Payments Priorities and debit the Reserve Account with all payments made out of the Reserve Account in accordance with the Servicing Agreement and the Conditions. See further under "*Servicing – Reserve*" below; and
- (vii) credit the Prepayment Charges Ledger with the amount of Prepayment Charges received by the Issuer and debit the Prepayment Charges Ledger with all payments made out of such Prepayment Charges in accordance with the Servicing Agreement.

Quarterly Servicing Reports

Pursuant to the Servicing Agreement, the Servicer has agreed to deliver to the Issuer, the Liquidity Facility Provider and Fitch a report in respect of each Calculation Date in which it will notify the recipients of, among other things, all amounts received in the Issuer Transaction Account and payments made with respect thereto and all entries made in the relevant ledgers. See "*Servicing – Quarterly Servicing Reports*" below.

Fees

Pursuant to the Servicing Agreement, the Issuer will pay to the Servicer fees as described under "*Servicing*" and will reimburse the Servicer for all reasonable out-of-pocket costs and expenses properly incurred by them in the performance of the services to be provided by the Servicer under the Servicing Agreement. All such reasonable fees and expenses will include fees and expenses in respect of the Servicer's cash management duties under the Servicing Agreement.

Termination of Appointment of the Account Banks and GIC Provider

The Issuer Account Bank Agreement requires that the Issuer Account Bank be a bank which is an Authorised Entity. If the Issuer Account Bank ceases to be an Authorised Entity, it will give written notice of such event to the Servicer and the Trustee and the Issuer (or the Servicer on its behalf) or, if the Issuer fails to do so, the Issuer Account Bank will, within one month, appoint a successor Issuer Account Bank which shall be an Authorised Entity. The appointment of the successor Issuer Account Bank is subject to (i) the prior written approval of the Servicer and the Trustee and (ii) the successor Issuer Account Bank acquiring and becoming subject to substantially the same rights and obligations as those contained in the Issuer Account Bank Agreement. Upon the appointment of the successor Issuer Account Bank, the Issuer Account Bank shall take reasonable steps to assist in effecting an orderly termination of the banking arrangements provided for in the Issuer Account Bank Agreement including arranging the transfer of any cash in the Issuer Accounts to new accounts. If, at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the accounts need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

Pursuant to the GIC Agreement, the GIC Provider must at all times be a bank which is an Authorised Entity. If the GIC Provider ceases to be an Authorised Entity, it will give written notice of such event to the Servicer and the Trustee and the Issuer (or the Servicer on its behalf) or, if the Issuer fails to do so, the GIC Provider will, within one month or such longer period as the Trustee may agree, appoint a successor GIC Provider which shall be an Authorised Entity. The appointment of the successor GIC Provider is

subject to (i) the prior written approval of the Servicer and the Trustee and (ii) the successor GIC Provider acquiring and becoming subject to substantially the same rights and obligations as those contained in the GIC Agreement. Upon the appointment of the successor GIC Agreement, the GIC Agreement shall take reasonable steps to assist in effecting an orderly termination of the banking arrangements provided for in the GIC Agreement including arranging the transfer of any cash in the GIC Accounts to new accounts. If, at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the GIC Accounts need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

Pursuant to the Liquidity Reserve Account Bank Agreement, the Liquidity Reserve Account Bank must at all times be a bank which is an Authorised Entity. If Liquidity Reserve Account Bank ceases to be an Authorised Entity, it will give written notice of such event to the Servicer and the Trustee and the Issuer (or the Servicer on its behalf) or, if the Issuer fails to do so, the Liquidity Reserve Account Bank will, within one month or such longer period as the Trustee may agree, appoint a successor Liquidity Reserve Account Bank which shall be an Authorised Entity. The appointment of the successor Liquidity Reserve Account Bank is subject to (i) the prior written approval of the Servicer and the Trustee and (ii) the successor Liquidity Reserve Account Bank acquiring and becoming subject to substantially the same rights and obligations as those contained in the Liquidity Reserve Account Bank Agreement. Upon the appointment of the successor Liquidity Reserve Account Bank, the Liquidity Reserve Account Bank shall take reasonable steps to assist in effecting an orderly termination of the banking arrangements provided for in the Liquidity Reserve Account Bank Agreement including arranging the transfer of any cash in the Liquidity Reserve Account to a new account. If, at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the Liquidity Reserve Account need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

An "**Authorised Entity**" is an entity that:

- (a) is a bank as defined for the purposes of Sections 878 and 879 of the Income Tax Act 2007;
- (b) will make payments pursuant to the Issuer Account Bank Agreement, the GIC Agreement or the Liquidity Reserve Account Bank Agreement (as applicable) in the ordinary course of its business;
- (c) is not subject to an obligation under the law of a jurisdiction other than the United Kingdom to make a Tax Deduction from a payment of interest made by it pursuant to the Issuer Account Bank Agreement, the GIC Agreement or the Liquidity Reserve Account Bank Agreement (as applicable); and
- (d) is rated at least the Minimum Short-Term Rating.

If, other than in the circumstances specified above, the Servicer wishes the bank or branch at which any account of the Issuer is maintained to be changed, the Servicer is required to obtain the prior written consent of the Issuer and the Trustee, such consent (in the case of the Issuer) not to be unreasonably withheld, and the transfer of such account will be subject to the same directions and arrangements as are provided for above.

SERVICING

Introduction

Pursuant to the Servicing Agreement, the Issuer will appoint N M Rothschild & Sons Limited as servicer (the "**Servicer**") to be its agent to provide certain services in relation to the Mortgage Loans, the Mortgages and the Collateral Security.

Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer will not be released or discharged from any liability as servicer thereunder and will remain responsible for the performance of its obligations under the Servicing Agreement by any sub-contractor or delegate.

In performing its obligations under the Servicing Agreement, the Servicer must act in accordance with the servicing standard (the "**Servicing Standard**"), which requires the Servicer to act in accordance with the standard it would be reasonable to expect a reasonably prudent lender of money secured on commercial property to apply in servicing mortgages over commercial property which are owned by such lender, with a view to the timely collection of all sums due in respect of the Mortgage Loans and, on the occurrence of an event of default thereunder, the maximisation of recoveries available to the Noteholders as a collective whole (taking into account the likelihood of recovery of amounts due from the Borrowers or the Mortgagors, the timing of any such recovery and the costs of recovery). In so acting, the Servicer may not have any regard to any fees or other compensation to which the Servicer may be entitled, any relationship the Servicer may have with a Borrower or any other party to the transaction, the different payment priorities among the Notes, the ownership of any Note by the Servicer or any affiliate thereof, the ownership of any junior indebtedness with respect to any Property by the Servicer (or any affiliate of the Servicer) or the ownership of any subordinate participation in a Mortgage Loan by the Servicer (or any affiliate of the Servicer).

The Servicer may become the owner or otherwise hold an interest in the Notes with the same rights as it would have if it were not the Servicer. Any such interest of the Servicer in the Notes will not be taken into account by any person when evaluating whether actions of the Servicer were consistent with the Servicing Standard.

Payments from Borrowers

On each Calculation Date and otherwise as required by the Issuer and the Trustee from time to time, the Servicer will calculate, among other things, with respect to the Collection Period ending on the immediately following Payment Date, Revenue Receipts, Recoveries, Available Revenue Receipts, Principal Receipts, Available Principal Receipts, Principal Losses, Principal Prepayments, Final Principal Payments (if any) and the aggregate amount of Prior Ranking Expenses falling due for payment on or prior to the next Payment Date, or which have been paid or for which provision has been made during the period since the immediately preceding Payment Date.

On or before the Business Day prior to each Payment Date, the Servicer shall transfer from the Originator Account into the Issuer Transaction Account, all amounts paid by the Borrowers under the Mortgage Loans into the Originator Account during the related Collection Period, provided that, in relation to the first Collection Period (i) all Revenue Receivables accrued and paid by the Borrowers between the Closing Date and the last day of the first Collection Period and (ii) all Principal Receivables accrued and paid by the Borrowers between the Cut-Off Date and the last day of the first Collection Period, shall be transferred by the Servicer from the Originator Account into the Issuer Transaction Account. Such amounts transferred to the Issuer Transaction Account shall be applied by the Servicer on behalf of the Issuer in accordance with the Pre-Enforcement Payments Priorities. See "*Resources Available to the Issuer —Pre-Enforcement Payments Priorities*".

Calculations in respect of Notes

Pursuant to the Servicing Agreement, the Servicer is also required to calculate on each Calculation Date certain amounts as described in the Conditions (in particular in Condition 8.2 (*Calculations*)), including the aggregate Principal Losses in respect of the Mortgage Loans, the aggregate of any Note Principal Payment due on the relevant Payment Date in relation to each class and the Principal Amount Outstanding of each Note in each class.

Quarterly Servicing Reports

The Quarterly Report will be in such form and contain such information as the Servicer may determine from time to time provided that each Quarterly Report shall always include such information relating to (i) all collections in relation to the Mortgage Loans and (ii) any Mortgage Loan then known by the Servicer to be either in arrears or in breach of any other term of its Borrower Loan Agreement, Mortgage or Collateral Security. Such report will include, inter alia, the following:

- (a) a summary of all Mortgage Loans at the end of the most recently ended Quarter, including details of any Mortgage Loans listed as "watch list";
- (b) a summary of any Mortgage Loans that are subject to receivership or repossession at the end of the most recently ended Quarter, including details of Mortgage Loans in which enforcement procedures were completed and the amounts written off;
- (c) details of Mortgage Loans previously written off on which recoveries were made during the most recently ended Quarter;
- (d) a listing of those Mortgage Loans that were more than 30 days in arrears, more than 60 days in arrears and more than 90 days in arrears;
- (e) a calculation of all collections in respect of the Mortgage Loans (excluding reimbursed incidental costs), including Revenue Receipts and Principal Receipts;
- (f) details of any Mortgage Loans in which the applicable Borrower or Mortgagor or Mortgagors are known by the Servicer to be in breach of any term of their Mortgage Loan, Mortgage or Collateral Security and such breach is likely to prejudice the value of the relevant Mortgage Loan, Mortgage or Collateral Security;
- (g) top ten tenants;
- (h) details of any Mortgage Loans repaid or repurchased by the Originator and any Substitute Loans completed in the most recently ended Quarter;
- (i) confirmation that all the Portfolio Criteria, Mortgage Loan Criteria and Substitution Criteria have been complied with in the most recently ended Quarter; and
- (j) details of performance against the key Criteria.

Monthly Noteholder Report

On each Payment Date the Servicer will prepare a report and deliver it to Fitch and the Liquidity Facility Provider (the "**Monthly Noteholder Report**"). The Monthly Noteholder Report will include, inter alia, the following:

- (k) Principal Amount Outstanding of each Class of Notes;
- (l) Principal payments made in accordance with items (c) and (d) of the Pre-Enforcement Principal Payments Priorities;
- (m) Interest payments made in accordance with items (e) and (h) of the Pre-Enforcement Revenue Payments Priorities;
- (n) The amount standing to the credit of the Reserve Account;
- (o) The Liquidity Facility Amount and any amount drawn under the Liquidity Facility Agreement;
- (p) The amount paid by the Issuer to the Swap Counterparty in accordance with paragraph (d) of the Pre-Enforcement Revenue Payments Priorities;
- (q) All receipts under the Swap Agreement (other than in respect of Swap Collateral) in respect of interest to be received by the Issuer on the Payment Date following such Collection Period;

- (r) The Principal Amount Outstanding of each Class of Notes on such Payment Date divided by the Principal Amount Outstanding of such Class of Notes as at the Closing Date, expressed as a percentage; and
- (s) The current credit enhancement on such Payment Date being equal to A minus (B divided by C), expressed as a percentage; where A is equal to 1; B is equal to the Principal Amount Outstanding of the Class A Notes on such Payment Date; and C is equal to the aggregate Principal Amount Outstanding of all of the Notes on such Payment Date.

Annual Review Procedure

The Servicer is required to undertake an annual review in respect of each Borrower and its Mortgage Loans in accordance with its then current servicing procedures and the Servicing Standard. Where the Servicer considers it necessary or desirable, in particular in assessing a Principal Loss or an LTV covenant (applying the Servicing Standard), it will obtain an updated written or verbal full or desk-top valuation of any Property. In addition, the Servicer is required to assess the financial condition of each tenant under an occupational lease having a gross rental value of one or more per cent. per annum of the total rental income of the Expected Portfolio.

Arrears and Default Procedures

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of all Mortgage Loans. The Servicer is required to use all reasonable endeavours to recover amounts due from defaulting Borrowers. The Servicer has agreed, in relation to any default under or in connection with a Borrower Loan Agreement and its Mortgage and Collateral Security, to comply with the Servicer's then current procedures (a) in respect of Mortgage Loans that are in arrears (the "**Arrears Procedures**") and (b) in respect of the enforcement of Mortgage Loans, Mortgages and Collateral Security that are defaulted (the "**Enforcement Procedures**").

The Servicer will conduct a review of each Borrower's performance on a quarterly basis to determine whether each Borrower will be classified as "performing" or "watch list". If the Servicer, acting in accordance with the Servicing Standard, considers the reason for non-payment of any amount by the Borrower as not significant or as being technical in nature, and the Servicer is satisfied with the Borrower's explanations and the likelihood of a timely payment of such amount, the Mortgage Loan will remain classified as "performing". Further, if the Servicer, acting in accordance with the Servicing Standard and the Servicing Agreement, agrees to permit a cure period in respect of a breach of a financial covenant and such breach is rectified by the Borrower within such cure period, the Mortgage Loan will remain classified as "performing".

The credit committee of the Servicer is responsible for monitoring credit exposures in the banking and treasury divisions and for reviewing any deterioration in exposure, overdue payments of interest or principal and other defaults. The terms of reference of the credit committee are set out in the credit committee procedures.

Credit exposures are classified according to the debtor categories as follows:

Category 1

Exposures where the payment of interest or principal is not in doubt and which are in compliance with the terms of their loan agreements.

Category 2

Exposures where the payment of interest and principal is not in doubt, but which require closer observation than usual due to some deterioration in the position of the client. Examples include poor trading results, difficulties experienced in the client's market sector, competitive or regulatory threats or the potential impact from currency or other factors.

Category 3

Exposures where there has been further deterioration in the position of the client. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.

Category 4

Exposures that are considered to be impaired and which carry a provision against part of the loan. Some recovery is expected to be made.

Category 5

Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.

Credit teams are required to notify any deterioration in loan quality, non-performance or event of default to a director in the banking division and to the credit committee.

A schedule of bad and doubtful debt provisions is produced quarterly by the banking division. This schedule and supporting papers set out the position on all exposures in categories 2 to 5 and are submitted to the credit and executive committees.

The level of specific provision required will be determined by the credit teams and banking division management, taking into account the reason for the deterioration in performance or default, the current financial position of the borrower, financial forecasts for future performance and the potential for a sale of assets or the business as a whole. In accordance with the requirements of IAS39, the provision will be calculated by determining the present value of the estimated future cash flows of the asset, including scheduled interest payments, principal repayments and other cash flows such as those relating to the liquidation of collateral.

The value of any collateral held will be taken into account when assessing the need for a specific provision. Collateral may be formally revalued if the credit teams, or credit committee, have concerns that the loan may be impaired. Informal discussions are often held with property valuers on an ongoing basis and as part of the review process (as set out in credit committee procedures) to assess the need for a formal revaluation. A credit assessment may be undertaken on any guarantor to a facility as part of an impairment review. Insurance policies in place will be considered and reviewed as part of an impairment review. As part of the periodic review of any exposure the value and enforceability of any security held is considered.

Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- (i) Significant financial difficulty of the issuer;
- (ii) A breach of contract, such as a default or delinquency in interest or principal repayment;
- (iii) Granting to the borrower a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider;
- (iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate that was used to discount the cash flows for the purpose of measuring the impairment loss.

Loans are written off once there is no further prospect of significant recovery. Write-off may occur some considerable time after full provision has been made against a particular exposure. Specific provisions may be reduced or written back in the event that a subsequent credit assessment considers that the financial position of the borrower has improved or that there has been an event that changes the situation from the initial impairment assessment.

Arrears management and recovery and regular reporting to the credit committee continue to be the responsibility of the credit team responsible for the exposure.

The Quarterly Servicing Reports will detail the Mortgage Loans that, as at the relevant Calculation Date, are classified as "watch list" and will give details of the actions being taken by the Servicer in respect of each such Mortgage Loan, including whether and to what extent the Servicer is applying the procedures set out in the Servicing Agreement relating to the collection of arrears and enforcement of Mortgage Loans and their related security.

To achieve maximum recovery from a Mortgage Loan classified as written off, the Servicer is authorised by the Issuer, the Trustee and the Originator to take enforcement action (including against any third party chargor or Mortgagor) or appoint a receiver to manage (including any rentals) and sell the relevant Property or Properties. A variety of factors are taken into consideration in determining what course of action to take. In relation to pursuing enforcement of the security, the Servicer may have regard to the impact that such action might have on the marketability and value of the security. In determining whether or not to appoint a receiver, the Servicer may address whether potential recovery may be greater by selling the Property by private treaty or by auction.

Receivers

Upon the instructions of the Issuer or the Trustee, the Servicer, will with the co-operation of the Originator and, subject to the provisions of the relevant Mortgage, the Borrower Loan Agreement and to applicable law, appoint a receiver and, if it does so, is instructed by the Issuer, the Trustee or the Servicer, as the case may be, to agree with the receiver a strategy for best preserving the Issuer's and the Originator's rights and securing any available money from the relevant Properties, which may in certain circumstances involve the receiver managing all or some of the relevant Properties (including the handling of payments of rent) for a period of time and/or seeking to sell the Properties to a third party. Pursuant to the Servicing Agreement, each of the Issuer and the Trustee will authorise the Servicer, to give such a receiver an indemnity on the Issuer's behalf **provided that** the indemnity is required by the receiver as a condition of its appointment or continued appointment and all reasonable endeavours to appoint a suitably qualified and experienced receiver without the provision of such an indemnity have been taken by the Servicer and **provided further that** the terms of any indemnity would be acceptable to a reasonably prudent lender of money secured on commercial property and such indemnity is given on the basis that payment will be subject to the Payments Priorities.

The Servicer is required to use its best endeavours to ensure that the receiver appointed in respect of any Mortgage Loan, Mortgage and/or Collateral Security deals with any such assets as soon as possible after such receiver's appointment with a view to achieving the maximum recovery in respect of such assets. If a Property is sold pursuant to the implementation of the Enforcement Procedures, the net proceeds of sale (after payment of the costs and expenses of the sale) will, together with any amount payable on any related insurance contracts, be applied against the sums owing from the relevant Borrower to the extent necessary to repay the Mortgage Loan.

Reserve

An account designated the "Real Estate Capital No.7 Reserve Account" (the "**Reserve Account**") will be established in the name of the Issuer at the Issuer Account Bank. Amounts shall be deposited in the Reserve Account on each Payment Date where a Reserve Fund Trigger Event has occurred and is continuing, pursuant to item (g) of the Pre-Enforcement Revenue Payments Priorities up to the Reserve Required Amount.

The Issuer will be obliged to maintain the Reserve Account up to the Reserve Required Amount. Amounts standing to the credit of the Reserve Account will be applied in accordance with the Pre-Enforcement Revenue Payments Priorities if insufficient funds are available under the Pre-Enforcement Revenue Payments Priorities.

The "**Reserve Required Amount**" means:

- (i) on the Closing Date £0;
- (ii) following the occurrence of a Reserve Funds Trigger Event £25,000,000; and

- (iii) if a Reserve Fund Trigger Event is no longer continuing, £0.

The "**Reserve Fund Trigger Event**" means (a) the long term unsecured, unsubordinated debt obligations of NMR are downgraded below BBB by Fitch, (b) NMR fails to perform any of its obligations which would have a material adverse effect under the Primary Transaction Documents (c) the Principal Outstanding Balance of the Mortgage Loans that are Non-Performing Loans exceeds 5% at any time of the Principal Outstanding Balance of the Mortgage Loans in the Portfolio or (d) the cumulative Principal Loss in relation to the Portfolio exceeds 2% of the Principal Outstanding Balance at the Closing Date of all Mortgage Loans in the Portfolio.

Principal Losses

On each Calculation Date, the Servicer will determine the aggregate Principal Loss in respect of all Mortgage Loans and shall enter any increase in such Principal Loss as a debit:

- (a) first on the Class B Principal Deficiency Ledger until the debit balance on such ledger is equal to the Principal Amount Outstanding on the Class B Notes; and
- (b) thereafter on the Class A Principal Deficiency Ledger until the debit balance on such ledger is equal to the Principal Amount Outstanding on the A Notes.

Prepayment Charges

Amounts received by the Issuer as additional payments upon the prepayment of a Mortgage Loan (excluding the principal amount to be repaid, any breakage costs and any accrued interest payable in respect of such Mortgage Loan) (such amount, the "**Prepayment Charges**") will be credited to the Prepayment Charges Ledger and will be applied as Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Payments Priorities.

Modifications and exercise of Discretion

The Servicer will be appointed to act on behalf of the Issuer in exercising its powers and discretions in respect of the Mortgage Assets.

To the extent that it is within the powers of a lender to do so under the relevant documentation, the Servicer will be required to determine whether to agree to any request to waive, vary or amend any provisions of any of the Borrower Loan Agreements. In making any such determination, the Servicer must act in accordance with the Servicing Standard and must meet certain conditions which are specified in the Servicing Agreement. In particular, any restriction in a Borrower Loan Agreement on the ability of a Borrower to assign, transfer or novate its obligations under the relevant Mortgage Loan to another borrower may not be waived unless the replacement borrower satisfies, in all relevant and material respects, the lending criteria that applied to the transferring Borrower.

Substitution of Properties

Under the Servicing Agreement, the Servicer has the discretion to consent on behalf of the Issuer, the Originator and the Trustee to the substitution by a Borrower of an existing Property with another Property or Properties (each an "**Additional Property**") **provided that** (among other conditions):

- (a) following the substitution there will be no breach of the Financial Covenants that is continuing in respect of the relevant Borrower;
- (b) no default is then subsisting under the relevant Mortgage Loan;
- (c) the rental income from the remaining Property or Properties and the Additional Property securing the relevant Mortgage Loan is sufficient to meet and maintain the requisite Interest Cover Percentages for the relevant Mortgage Loan;
- (d) the aggregate value of the Property or Properties being substituted does not exceed 15 per cent. (when added to the value of any Properties previously substituted) of the value as at the most recent valuation of the Properties initially charged as security for such Mortgage Loan;

- (e) a valuation is obtained in respect of the Additional Property and such valuation shows a value for such Additional Property that is not less than, the higher of the value ascribed to that Property at the last independent valuation and, in the case of a sale, the proceeds of sale of the Property being substituted; and
- (f) the Servicer has given prior written notice of the proposed substitution to the Trustee and Fitch.

The Originator will be required to release the relevant existing Property from the relevant Mortgage and Collateral Security provided the above conditions are met.

If the aggregate value of the Property or Properties being substituted exceeds 15 per cent. (when added to the value of any Properties previously substituted) of the value of the Properties initially charged as security for such Mortgage Loan, or if any of the conditions in paragraphs (a) to (f) above are not met, then the Servicer may consent to the release of a Property and the substitution of an Additional Property on such terms and conditions as it considers necessary, **provided that** Fitch confirms to the Trustee in writing that its then-current ratings of the Notes will not be adversely affected.

Substitution of Mortgage Loans

In accordance with the terms of the Mortgage Sale Agreement, the Originator may sell Substitute Loans to the Issuer.

The Issuer will retain amounts in the Substitute Loans GIC Account to fund future acquisitions of Substitute Loans. The Originator shall, 3 Business Days prior to each Payment Date, deliver a notice (the "**Substitute Loans Retained Amount Notice**") to the Servicer specifying the required amount to be retained in the Substitute Loans GIC Account on such Payment Date (such amount, the "**Substitute Loans Retained Amount**").

If the Originator requests the Issuer to purchase Substitute Loans, it will deliver, 3 Business Days prior to the relevant Payment Date, a purchase notice (the "**Substitute Loans Notice**") to the Issuer with details of the relevant Substitute Loans (including the Substitute Loans Purchase Price) to be sold on such Substitute Loans Purchase Date, subject to (a) the relevant Substitute Loans satisfying the Substitution Criteria and (b) such Substitute Loans Purchase Date being prior to or on the Substitute Loans Acquisition Expiry Date.

On any Payment Date on which the Originator requests the Issuer to purchase Substitute Loans, the Servicer shall withdraw from the Substitute Loans GIC Account and pay to the Originator an amount equal to such Substitute Loans Purchase Price. On any Payment Date on which the Originator notifies the Servicer that it no longer requires any amount to be retained in the Substitute Loans GIC Account for the purchase of Substitute Loans, sums credited to the Substitute Loans GIC Account equal to such amount shall be transferred by the Servicer to the Issuer Transaction Account and credited to the Principal Ledger as Available Principal Receipts.

An amount equal to the Undrawn Commitment of the relevant Substitute Loans will be transferred to the Further Advances Fund GIC Account on the Substitute Loans Purchase Date.

Insurance

The Servicer will, on behalf of the Issuer and the Trustee, establish and maintain procedures to monitor compliance with the terms of the Borrower Loan Agreements regarding the insurance of the Properties. Among these procedures is an annual review by the Servicer of the insurance cover maintained by each Borrower or Mortgagor to confirm that the relevant policies have been renewed and meet the requirements of the Borrower Loan Agreements.

Under the terms of the Borrower Loan Agreements, the Borrowers are required to maintain adequate insurance cover in respect of their Properties in accordance with the terms of the Borrower Loan Agreements, including (i) insurance of the relevant Property, including fixtures and improvements, on a full reinstatement basis, with not less than three years' loss of rent on occupational tenancies at the relevant Property; (ii) insurance against third party liabilities; (iii) insurance against acts of terrorism (where such insurance is generally available in the UK market on commercially reasonable terms), including loss of rent on the relevant Property for a minimum of three years as well as rebuilding costs;

and (iv) such other insurance as a prudent company in the business of the relevant Borrower or Mortgagor would effect.

Delegation by the Servicer

The Servicer may, in certain circumstances, subject to the consent of the Issuer and the Trustee, sub-contract or delegate its obligations under the Servicing Agreement, such consent not to be unreasonably withheld.

Servicing Fee

Pursuant to the Servicing Agreement, the Issuer will pay on each Payment Date a fee (the "**Servicing Fee**") (inclusive of VAT, if any) in an amount equal to £8333.33.

The Servicing Fee, or any part of it, is assignable by the Servicer, subject to the assignee agreeing to be bound by the terms of the Security Deed.

Following the termination of NMR's appointment as Servicer, the Servicing Fee, will be paid to any substitute servicer appointed; **provided that** the Servicing Fee may be payable at a higher rate agreed in writing by the Trustee (but which does not exceed the rate then commonly charged by providers of loan servicing services secured on commercial properties) to any substitute servicer.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), the Issuer will pay the Servicing Fee to the Servicer and will reimburse the Servicer for all costs and expenses properly incurred by the Servicer in the enforcement of a Mortgage Loan and its Collateral Security (including any substitute servicer). Prior to the enforcement of the Issuer Security and **provided that** the Servicer is NMR or any successor Servicer so agrees, the Servicing Fee is payable in priority to payments on the Notes. Prior to and following enforcement of the Issuer Security, the Servicing Fee will be payable in priority to payments on the Notes. This order of priority has been agreed with a view to procuring the continuing performance by the Servicer of its duties in relation to the Issuer, the Trustee, the Mortgage Loans, the Collateral Security and the Notes. See "*Resources Available to the Issuer*".

Termination of Appointment of Servicer

The appointment of the Servicer under the Servicing Agreement may be terminated by the Trustee following a termination event, by voluntary termination by the Servicer or by automatic termination.

The Trustee may terminate the Servicer's appointment under the Servicing Agreement upon the occurrence of a termination event in respect of that entity, including a default in the payment on the due date of any payment to be made by it under the Servicing Agreement or, in certain circumstances, a default in performance of any of its other material covenants or obligations under the Servicing Agreement or if an order is made or an effective resolution passed for its winding up, or if it becomes insolvent. On the termination by the Trustee of the appointment of the Servicer, the Issuer (with the prior written consent of the Trustee) or, following the delivery of an Enforcement Notice, the Trustee (but without any personal liability for any failure to do so) may, subject to certain conditions, appoint a substitute servicer.

The Servicer may terminate its appointment upon not less than one month's prior written notice to each of the Issuer, the Trustee, and the Servicer **provided that** a qualified substitute servicer shall have been appointed and agreed to be bound by the Servicing Agreement and the Security Deed, such appointment to be effective not later than the date of termination, and **provided further that** Fitch have provided written confirmation that the then current ratings of the Notes will not be adversely affected as a result thereof unless otherwise agreed by an extraordinary resolution of separate class meetings of each class of the Noteholders.

On termination of its appointment, the Servicer will forthwith deliver to, or to the order of, the Trustee or the Issuer, all documents, information, computer stored data and monies held by it in relation to its appointment as Servicer and will be required to take such further action as the Trustee may reasonably direct to enable the services of the Servicer to be performed by a substitute thereof.

The Servicing Agreement will terminate automatically at such time as neither the Issuer nor the Trustee has any further interest in any of the Mortgage Loans or the Collateral Security or, if later, upon discharge of all the liabilities of the Issuer to the Secured Parties.

General

In addition to the duties described above, the Servicer is required under the Servicing Agreement to perform duties customary for a servicer of mortgage loans such as retaining or arranging for the retention of loan and property deeds and other documents in safe custody and software licensing and sub-licensing. Notwithstanding the foregoing, the Servicer will not be liable for any obligation of a Borrower or a Mortgagor under any Borrower Loan Agreement or any Collateral Security, have any liability to any third party for the obligations of the Issuer under the Notes or any of the documents listed under paragraph 9 of "General Information" (the "**Relevant Documents**") or have any liability to the Issuer, the Trustee, the Noteholders or any other person for any failure by the Issuer to make any payment due by it under the Notes or any of the Relevant Documents unless such failure by the Issuer results from a failure by the Servicer to perform its obligations under the Servicing Agreement.

The Servicer may also advise the Issuer as to whether to exercise its option to redeem the Notes pursuant to Condition 8.6 (*Optional Redemption in whole*).

RESOURCES AVAILABLE TO THE ISSUER

The following is intended to be only a summary of certain provisions of the documents relating to the Notes which bear upon the resources available to the Issuer.

The composition of the Portfolio, the Mortgages and the Collateral Security and the structure of the transaction and the other arrangements for the protection of the Noteholders, in the light of the risks involved, have been reviewed by Fitch. The ratings expected to be assigned by Fitch to each class of Notes are set out in the table on page 2.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings of the Notes are dependent upon, among other things, the credit ratings of the Liquidity Facility Provider and the Swap Counterparty. Consequently, a qualification, downgrade or withdrawal of any such ratings may have an adverse effect on the ratings of the Notes.

The principal risks associated with the Notes and the manner in which they are addressed in the structure are set out below. Attention is also drawn to the section of this Prospectus entitled "*Risk Factors*" for a description of certain risks in respect of the Portfolio, Mortgage Loans, Mortgages and Collateral Security.

Liquidity, Credit and Basis Risk

The Issuer is subject to:

- (a) the risk of delay arising between scheduled Payment Dates on the Notes and the receipt of payments due from the Borrowers, which is addressed by the Swap Transaction (see "*Swap Agreement*" below);
- (b) the risk of default in payment and the failure by the Trustee, the Servicer, on behalf of the Issuer, to realise or to recover sufficient funds under the enforcement procedures in respect of the relevant Mortgage Loan, Mortgage and Collateral Security in order to discharge all amounts due and owing by the relevant Borrower under a Mortgage Loan, which risk is addressed in respect of the Notes by the credit support provided to classes of Notes by those classes of Notes (if any) ranking lower in priority to that class; and
- (c) the risk of the interest rates payable by the Borrowers on the Mortgage Loans being less than that required by the Issuer in order to meet its commitments under the Notes and its other obligations, which risk is addressed by the Swap Transaction (see "*Swap Agreement*" below), and by the ability of the Issuer to seek drawings under the Liquidity Facility Agreement to cover the Liquidity Shortfall.

Liabilities under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, any of the Specified Parties or any company in the same group of companies as the Specified Parties, and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

On each Payment Date, payments of interest on the Class B Notes will be payable only if and to the extent that there are sufficient funds available to the Issuer to pay interest on the Class A Notes and other liabilities of the Issuer ranking higher in priority to interest payments on the Class B Notes as provided in the Pre-Enforcement Revenue Payments Priorities, and which have been paid or provided for in full.

The amount that will be payable by the Issuer in respect of the Class B Notes will be limited on each Payment Date to the funds available to the Issuer on such Payment Date. If there are any Class B Interest Amount Arrears, on any Payment Date (other than the Final Maturity Date), such amounts shall not be regarded as payable on such date and will accrue interest during the Interest Period in which such Payment Date falls.

Available Principal Receipts will be applied in accordance with the Pre-Enforcement Principal Payments Priorities as set out below.

Pre-Enforcement Payments Priorities

Available Revenue Receipts

Prior to an Enforcement Notice being given, the Issuer will apply the Available Revenue Receipts in the following order of priority (the "**Pre-Enforcement Revenue Payments Priorities**") (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full including in respect of VAT thereon), all as more fully set out in the Servicing Agreement:

- (a) *first*, to pay the relevant party entitled thereto (or make provision for) on a *pro rata* and *pari passu* basis, the Prior Ranking Expenses (as defined in the Incorporated Terms Memorandum) (whether paid by the Borrower or by the Originator on behalf of the Borrower) falling due on such Payment Date or prior to the next Payment Date or, to the extent that such sums have not been provided for, amounts which have been paid by the Borrower or the Originator during the period since the immediately preceding Payment Date;
- (b) *second*, in or towards payment or discharge of any amounts due and payable by the Issuer on such Payment Date to (i) the Trustee, any appointee of the Trustee and any receiver appointed by or on behalf of the Originator or the Issuer under a Mortgage Loan or its Mortgage or Collateral Security under the Primary Transaction Documents, *pari passu* and *pro rata*; then (ii) the Paying Agents, the Agent Bank and the Registrar under the Paying Agency Agreement, *pari passu* and *pro rata*; then (iii) any amounts due to the Servicer (or any other person entitled thereto) pursuant to the Servicing Agreement (other than the Servicing Fee) and to the Servicer (or any other person entitled thereto) in respect of the Servicing Fee; then (iv) the Corporate Services Provider under the Corporate Services Agreement; then (v) the Issuer Account Bank under the Issuer Account Bank Agreement and the Liquidity Reserve Account Bank under the Liquidity Reserve Account Bank Agreement, *pari passu* and *pro rata*; then (vi) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any amounts of principal and interest and fees due and payable under the Liquidity Facility Agreement then (vii) the GIC Provider under the GIC Agreement;
- (c) *third*, in or towards payment or discharge of sums due to third parties under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to fall due in the following Interest Period and the payment of the Issuer's liability to value added tax (if any) and to corporation tax;
- (d) *fourth*, in or towards payment or discharge of all amounts due to the Swap Counterparty in respect of the Swap Agreement including termination payments (except for such amounts as are payable under item (m) below);
- (e) *fifth*, in or towards payment or discharge, *pro rata* and *pari passu*, of interest due and interest overdue (and any interest due on such overdue interest) on the Class A Notes;
- (f) *sixth*, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (g) *seventh*, if a Reserve Fund Trigger Event is occurring, to the Reserve Account until the credit balance of the Reserve Account reaches the Reserve Required Amount;
- (h) *eighth*, in or towards payment or discharge, *pro rata* and *pari passu* of interest due and interest overdue (and any interest due on such overdue interest) on the Class B Notes;
- (i) *ninth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards payment or discharge of any amounts payable to the Liquidity Facility Provider in respect of withholding taxes or increased costs as a result of a change in law or

regulation and any other amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement;

- (k) *eleventh*, to retain £85 or, in respect of any Payment Date falling on or before November 2009, £6,666 (such amount (the "**Issuer Profit Amount**") to be transferred on such Payment Date to the Issuer Transaction Account);
- (l) *twelfth*, in or towards, first, payment of interest on and, secondly, repayment of the principal amount due under the Expenses Loan Agreement;
- (m) *thirteenth*, in or towards payment or discharge of any amounts due and payable by the Issuer on such Payment Date to the Swap Counterparty under the Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement); and
- (n) *fourteenth*, in or towards payment or discharge of any Deferred Consideration payable to the Originator.

Available Principal Receipts

Prior to an Enforcement Notice being given, Available Principal Receipts will be applied in accordance with the following order of priority (the "**Pre-Enforcement Principal Payments Priorities**") **provided that** Available Principal Receipts may be applied, first, in purchasing Notes in accordance with Condition 8.11 (*Purchase and cancellation*).

On any Payment Date, all Available Principal Receipts will be applied to make the following payments:

- (a) *first*, amounts equal to (i) the Substitute Loans Retained Amount specified in the relevant Substitute Loans Notice to the Substitute Loans GIC Account, (ii) the Substitute Loans Purchase Price in respect of any Substitute Loans to be purchased on such Payment Date to the Originator and (iii) any Undrawn Commitments in respect of any Substitute Loans to be purchased on such Payment Date to the Further Advances Fund GIC Account;
- (b) *second*, in or towards payment or discharge of any amounts owing to the Liquidity Facility Provider with respect to a LF Revolving Drawing or a LF Withdrawal pursuant to the Liquidity Facility Agreement to the extent that such amounts have not been paid to the Liquidity Facility Provider in accordance with item (b) (vi) of the Pre-Enforcement Revenue Payments Priorities on such Payment Date;
- (c) *third*, in or towards payment or discharge, *pro rata* and *pari passu*, of the aggregate Principal Amount Outstanding in respect of the Class A Notes until all of the Class A Notes have been redeemed in full;
- (d) *fourth*, in or towards payment or discharge, *pro rata* and *pari passu*, of the aggregate Principal Amount Outstanding in respect of the Class B Notes until all of the Class B Notes have been redeemed in full; and
- (e) *fifth*, any excess to be applied on such Payment Date as Revenue Receipts.

"Principal Prepayments" means: (i) the aggregate of principal payments received by or on behalf of the Issuer in respect of Mortgage Loans as a result of any prepayment in part or in full made by the Borrowers pursuant to the terms of the related Borrower Loan Agreements; (ii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of a repurchase of a Mortgage Loan; (iii) all insurance proceeds relating to principal received by or on behalf of the Issuer other than those required to be paid to the relevant Borrower or used to reinstate the related Property pursuant to the terms of the related Borrower Loan Agreement, the related insurance policies and any other relevant instrument; and (iv) any amounts transferred from the Further Advances Fund GIC Account in respect of Undrawn Commitment Cancellations, but, for the avoidance of doubt, excluding in all instances any Prepayment Charges.

"Final Principal Payments" means the aggregate amount of principal payments received by or on behalf of the Issuer in respect of the Mortgage Loans as a result of the repayment of any Mortgage Loans upon its scheduled maturity date.

"LF Withdrawal" means a drawing from the Liquidity Reserve Drawing Account made by the Issuer in accordance with the terms of the Liquidity Facility Agreement following the delivery by the Issuer of a LF Withdrawal Notice or, as the case may be, the principal amount of such drawing for the time being outstanding.

"LF Withdrawal Notice" means a notice substantially in the form set out in Schedule 4 (LF Withdrawal Notice) of the Liquidity Facility Agreement;

Post-Enforcement Payments Priorities

The Security will become enforceable upon the Trustee giving an Enforcement Notice or if any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court. Following enforcement of the Security, the Trustee will be required to apply all funds (other than funds standing to the credit of the Liquidity Reserve Drawing Account which shall be repaid to the Liquidity Facility Provider and amounts representing Prior Ranking Expenses) received or recovered by it in accordance with the following order of priority (the **"Post-Enforcement Payments Priorities"**) (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full, including in respect of any VAT thereon, all as more fully set out in the Security Deed:

- (a) *first*, in or towards satisfaction of any amounts due and payable by the Issuer to (i) the Trustee, any appointee of the Trustee and any receiver appointed by or on behalf of the Trustee under the Security Deed or any receiver appointed by or on behalf of the Originator or the Issuer under a Mortgage Loan or its Mortgage or Collateral Security, *pari passu* and *pro rata* under the Primary Transaction Documents; then (ii) the Paying Agents, the Agent Bank and the Registrar under the Paying Agency Agreement, *pari passu* and *pro rata*; then (iii) the Servicer (or any other person then entitled thereto) in respect of the Servicing Fee and any other amounts due to the Servicer (or any other person then entitled thereto) pursuant to the Servicing Agreement; then (iv) the Corporate Services Provider under the Corporate Services Agreement; then (v) the Issuer Account Bank under the Issuer Account Bank Agreement and the Liquidity Reserve Account Bank under the Liquidity Reserve Account Bank Agreement, *pari passu* and *pro rata*; (vi) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any amounts of principal and interest, fees and any other amounts due and payable under the Liquidity Facility Agreement then (vii) the GIC Provider under the GIC Agreement;
- (b) *second*, in or towards payment or discharge of all amounts due to the Swap Counterparty in respect of the Swap Transaction including termination payments (except for such amounts as are payable under item (g) below);
- (c) *third*, in or towards payment or discharge, *pro rata* according to the respective amounts due in or towards payment, *pro rata* and *pari passu* of (i) interest due or overdue (and all interest due on such overdue interest) on the Class A Notes and, after payments of all such interest amounts, (ii) all amounts of principal due or overdue on the Class A Notes and all other amounts due in respect of the Class A Notes until the outstanding principal balance of the Class A Notes is reduced to zero;
- (d) *fourth*, in or towards payment or discharge, *pro rata* according to the respective amounts due in or towards payment, *pro rata* and *pari passu* of (i) interest due or overdue (and all interest due on such overdue interest) on the Class B Notes and, after payments of all such interest amounts, (ii) all amounts of principal due or overdue on the Class B Notes and all other amounts due in respect of the Class B Notes until the outstanding principal balance of the Class B Notes is reduced to zero;
- (e) *fifth*, to retain £85 or, in respect of any Payment Date falling on or before November 2009, £6,666 (such amount (the **"Issuer Profit Amount"**) to be transferred on such Payment Date to the Issuer Transaction Account);

- (f) *sixth*, in or towards, first, payment of interest on and, secondly, repayment of the principal amount outstanding of the Expenses Loan;
- (g) *seventh*, in or towards satisfaction of any amounts due and payable by the Issuer to the Swap Counterparty under the Swap Agreement in respect of any payments due by the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement);
- (h) *eighth*, in or towards satisfaction of all amounts then owed or owing to the Originator under the Mortgage Sale Agreement on any account whatsoever; and
- (i) *ninth*, any surplus to the Issuer or other persons entitled thereto.

Upon enforcement of the Issuer Security, the Trustee will in practice have recourse only to the rights of the Issuer in the Mortgage Assets and all other assets constituting the Issuer Security. Other than as provided in the Mortgage Sale Agreement for breach of warranty in relation to the Mortgage Loans, the Mortgages and the Collateral Security (as to which, see further "*Mortgage Sale Agreement*") and breach of other provisions specified therein, the Issuer and/or the Trustee will have no recourse to the Originator or the Servicer.

Issuer Security

The Issuer will create, among other things, the following security in favour of the Trustee (for itself and on behalf of the other Secured Parties) under or pursuant to the Security Deed (the "**Issuer Security**"):

- (a) an assignment by way of security of the Issuer's beneficial right, title and interest in the Mortgage Loans, Borrower Loan Agreements, Mortgages and Collateral Security (which, in the case of Scottish Mortgages and Scottish Collateral Security, will consist of an assignation in security of the Issuer's beneficial interests in and under each Scottish Declaration of Trust or the security trusts relative to those Scottish Mortgages and Scottish Collateral Security);
- (b) an assignment by way of security over the Issuer's interest in the Collateral Security not otherwise charged or assigned by way of security under (a) above, if any;
- (c) an assignment by way of security of the Issuer's rights under, among other things, the Mortgage Sale Agreement, the Servicing Agreement, the Corporate Services Agreement, the Issuer Account Bank Agreement, the GIC Agreement, the Paying Agency Agreement, the Liquidity Facility Agreement, the Expenses Loan and the Swap Agreement (other than the netting and set-off provisions contained therein);
- (d) a first fixed charge over the Issuer Accounts (other than the Liquidity Reserve Drawing Account) and any other bank account in which the Issuer may place and hold its cash resources, and of the funds from time to time standing to the credit of such accounts and any other Eligible Investments from time to time held by or on behalf of the Issuer; and
- (e) a floating charge governed by English law over the whole of the undertaking and assets of the Issuer (other than any property or assets of the Issuer subject to an effective fixed security set out in paragraphs (a) to (d) above) but extending over all of the Issuer's undertakings, property and assets which are located in Scotland or otherwise governed by Scots law.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver and the Trustee, all amounts due to the Servicer (or any other person entitled thereto) in respect of the Servicing Fee, the Corporate Services Provider, the Issuer Account Bank, the GIC Provider, the Liquidity Reserve Account Bank all payments due to the Swap Counterparty under the Swap Transaction (other than in respect of amounts payable to it specified at item (g) in the Post-Enforcement Payments Priorities) and all payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts of interest owing to the Class A Noteholders will rank ahead of amounts of principal in respect of the Class A Notes. All amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders.

Liquidity Facility

On the Closing Date, a liquidity facility will be made available to the Issuer by the Liquidity Facility Provider, in a maximum aggregate amount equal to the higher of (i) 3.0 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date being £245,550,000, and (ii) 8.7% per cent. of the Principal Amount Outstanding of the Class A Notes at any time.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch will be acting through its London branch located at Thames Court, One Queenhithe, London, EC4V 3RL under the Liquidity Facility Agreement. The unsecured, unsubordinated debt obligations of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch are rated "F1+" (short term) and "AA+" (long term) by Fitch.

Where the aggregate amount of Available Revenue Receipts is insufficient on any Payment Date to pay or provide for the Liquidity Shortfall, the Issuer will draw under the Liquidity Facility Agreement (to the extent permitted below) to fund the deficit, to the extent that there are sufficient funds then available to be drawn thereunder, **provided that** the Issuer must first use all funds available from the Swap Counterparty under the Swap Transaction.

Drawings under the Liquidity Facility Agreement will be of a revolving nature repayable on the Payment Date next following the date of drawing. Amounts repaid may be redrawn. Interest on each drawing will accrue at a margin above LIBOR for the relevant period and will be payable with accrued interest (if any) on the Payment Date next following the date of such drawing. A commitment fee will be payable on the undrawn amount under the Liquidity Facility Agreement from time to time.

If at any time the Liquidity Facility Provider ceases to be rated at least the Minimum Short-term Rating or the Minimum Long-term Rating by Fitch or if the Liquidity Facility Provider notifies the Issuer that it does not intend to renew its commitment under the Liquidity Facility Agreement, then the Issuer may either (i) procure that a replacement facility is entered into with a bank whose obligations are so rated such that the then current rating of the Notes is not adversely affected or (ii) draw down the whole of the undrawn portion (if any) under the Liquidity Facility Agreement (a "**Liquidity Reserve Drawing**").

If a replacement facility is not obtained within thirty days of such downgrade of the Liquidity Facility Provider or within thirty days of the Liquidity Facility Provider's notice not to renew its facility, then the Issuer may make a Liquidity Reserve Drawing. A Liquidity Reserve Drawing will be deposited by the Issuer into a deposit account in the name of the Issuer (the "**Liquidity Reserve Drawing Account**") with a bank rated at least the Minimum Short-term Rating by Fitch. A Liquidity Reserve Drawing made upon the downgrade of the Liquidity Facility Provider will be repaid on the earlier of the maturity date under the Liquidity Facility Agreement, the date on which a replacement Liquidity Facility Provider is appointed and the first Payment Date after the ratings of the Liquidity Facility Provider are restored to the Minimum Short-term Rating and the Minimum Long-term Rating by Fitch. A Liquidity Reserve Drawing may be utilised by the Issuer in the same circumstances in which the Issuer would have been able to utilise drawings under the Liquidity Facility Agreement prior to such Liquidity Reserve Drawing being made. If the Liquidity Facility Amount is reduced, a corresponding amount will be released from the Liquidity Reserve Drawing Account and repaid to the Liquidity Facility Provider to the extent available.

If a Liquidity Reserve Drawing is made, the Issuer shall pay the Liquidity Facility Provider, at item (b)(vi) of the Pre-Enforcement Revenue Payments Priorities, a commitment fee.

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement will rank higher in priority to payments of interest and principal on the Class A Notes.

The Liquidity Facility Agreement will be governed by English law.

Hedging Arrangements

Swap Agreement

The Issuer and the Swap Counterparty will enter into the Swap Agreement on or about the Closing Date. The Swap Agreement will protect the Issuer from interest rate risk arising as a result of the Borrowers paying a fixed rate of interest on certain of the Mortgage Loans, while the Issuer is required to pay

floating rates of interest on the Notes and timing mismatches between the interest periods in relation to the Mortgage Loans and the Interest Period. The effect of the Swap Agreement will be to swap the interest, non-utilisation fees and guarantee/commitment fees scheduled to be received in the Originator Account in accordance with the Borrower Loan Agreements and certain other Revenue Receipts into amounts calculated by reference to LIBOR.

The Swap Counterparty and the Issuer are obliged to make payments under the Swap Transaction without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Counterparty will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required. The Issuer is similarly obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts. Such additional amounts will be payable in priority to amounts payable on the Notes.

The Swap Transaction will provide that if, owing to action taken by a relevant taxing authority or court or any change in tax law, the Swap Counterparty or the Issuer will receive any payment from the Issuer or the Swap Counterparty from which an amount is required to be deducted or withheld for or on account of tax or is required to pay additional amounts in respect of tax under the Swap Transaction (a "**Tax Event**"), the Swap Counterparty or the Issuer will be required promptly to notify the Issuer or the Swap Counterparty, whichever is not the affected party, and if the Swap Counterparty is the affected party, the Swap Counterparty will use its reasonable endeavours to transfer its rights and obligations under the Swap Transaction to another office, branch or affiliate to avoid the relevant Tax Event. If no such transfer can be effected within 20 days of such notice to the Issuer or the Swap Counterparty, then the affected party may terminate the Swap Transaction (a "**Tax Termination Event**"). Termination payments payable to the Swap Counterparty following a Tax Termination Event will be payable in priority to amounts payable on the Notes.

Downgrade of Swap Counterparty

If the rating of the Swap Counterparty's debt obligations falls below certain thresholds specified in the Swap Agreement, then the Swap Counterparty will be required to take certain remedial measures as set out in the Swap Agreement which include:

- (a) the posting of Swap Collateral in accordance with a Credit Support Annex in respect of the Swap Agreement and in an amount or value determined in accordance with the relevant swap collateral guidelines specified in the Swap Agreement;
- (b) the provision of a co-obligor or guarantee of a third party with certain required ratings;
- (c) the transfer of all its rights and obligations under the Swap Agreement to a replacement third party with certain required ratings; or
- (d) such other action as the Swap Counterparty may agree with Fitch.

In the event that the rating of the Swap Counterparty falls below certain required ratings to a further specified level, the option of posting further Swap Collateral may no longer be available to the Swap Counterparty. In the event that the Swap Counterparty posts Swap Collateral, that Swap Collateral will be credited to the relevant Swap Collateral Ledger.

"Credit Support Annex" means any credit support annex executed in accordance with the provisions of the Swap Agreement.

"Swap Collateral" means cash and other assets transferred as collateral (and the interest, income and all other amounts attributable to them) in accordance with the Swap Agreement.

Early Swap Termination Event

Upon the occurrence of an Early Swap Termination Event, the Issuer or the Swap Counterparty may be liable to make a swap termination payment to the other.

Each Swap Transaction will terminate on the termination date specified in the relevant confirmation unless it terminates earlier, following the occurrence of an Early Swap Termination Event. It will be an Additional Termination Event (as defined in the Swap Agreement) if an Enforcement Notice is delivered.

The Swap Transaction may be terminated following an Event of Default or Termination Event (each as defined in the Swap Agreement and each an "**Early Swap Termination Event**"), including:

- (a) at the option of one party, if there is a failure by the other party to pay any amount due and payable under the relevant Swap Transaction;
- (b) at the option of the Issuer, if the Swap Counterparty breaches any agreement or other obligation to be complied with or performed by it under the Swap Transaction or materially breaches any representation in the relevant Swap Transaction;
- (c) upon the insolvency of either party or the merger of a party without its obligations being assumed by another party or changes in law resulting in it becoming illegal for one party to perform its obligations under the relevant Swap Transaction;
- (d) following the delivery of an Enforcement Notice under the Notes;
- (e) following the occurrence of a Tax Termination Event; and
- (f) if the Notes are redeemed or are to be redeemed in full prior to their respective Final Maturity Dates in accordance with Condition 8.6 (*Optional Redemption in whole*) or 8.7 (*Optional Redemption in whole for taxation reasons*).

A failure by the Issuer to make timely payment of amounts due from it under the Swap Agreement will constitute a default thereunder and entitle the Swap Counterparty to terminate the Swap Agreement.

Upon the occurrence of an Early Swap Termination Event, the Issuer or the Swap Counterparty may be liable to make a swap termination payment to the other.

The Swap Counterparty may, at its own discretion and at its own expense with the prior consent of the Trustee, novate its rights and obligations under the Swap Agreement (including the Swap Transaction) to any third party provided Fitch have confirmed in writing that such transfer or assignment would not cause a downgrading of the then current ratings of the Notes and **provided further that** such third party agrees to be bound by, among other things, the terms of the Security Deed, on substantially the same terms as the Swap Counterparty.

Governing Law

The Swap Agreement and the Swap Transaction will be governed by English law.

Expenses Loan Agreement

Pursuant to a loan agreement (the "**Expenses Loan Agreement**"), to be entered into on or about the Closing Date between the Expenses Loan Provider and the Issuer, the Issuer will borrow from the Expenses Loan Provider an amount of approximately £75,000.00 (the "**Expenses Loan**"), which amount will be equal to the estimated costs and expenses incurred by the Issuer in connection with the issue of the Notes. The Issuer will use the Expenses Loan to pay such costs and expenses.

Interest will be payable and principal will be repayable on the Expenses Loan on each Payment Date.

The Expenses Loan Agreement will be governed by English law.

SUMMARY OF PROVISIONS RELATING TO THE CLASS A NOTES IN GLOBAL FORM AND THE CLASS B NOTES

Class A Notes

The Class A Notes will initially be represented by the Class A Temporary Global Note, which will be deposited on or around the Closing Date with the common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Class A Temporary Global Note will be exchangeable in whole or in part for interests in the the Class A Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Class A Notes cannot be collected until certification of non-U.S. beneficial ownership is received by the Principal Paying Agent.

The Class A Permanent Global Note will become exchangeable in whole, but not in part, for Class A Definitive Notes in the minimum authorised denominations of £50,000 each at the request of the bearer of a Class A Permanent Global Note against presentation and surrender of the Class A Permanent Global Note to the Principal Paying Agent if the following event (the "**Exchange Event**") occurs: Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

So long as the Class A Notes are represented by the Class A Temporary Global Note or the Class A Permanent Global Note and the relevant clearing system(s) so permit, the Class A Notes will be tradeable only in the minimum authorised denomination of £50,000.

Whenever the Class A Permanent Global Note is to be exchanged for Class A Definitive Notes, the Issuer shall procure prompt delivery (free of charge to the bearer) of such Class A Definitive Notes, duly authenticated and with Class A Receipts, Class A Coupons and Class A Talons attached, in an aggregate principal amount equal to the principal amount of the Class A Permanent Global Note to the bearer of the Class A Permanent Global Note against the surrender of the Class A Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Class A Temporary Global Note and the Class A Permanent Global Note will contain provisions which modify the Conditions as they apply to the Class A Temporary Global Note and the Class A Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Class A Temporary Global Note and the Class A Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Class A Temporary Global Note or (as the case may be) the Class A Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Class A Temporary Global Note or (as the case may be) the Class A Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Notices: Notwithstanding the Notices Condition, while any of the Class A Notes are represented by a Class A Permanent Global Note (or by a Class A Permanent Global Note and/or a Class A Temporary Global Note) and the Class A Permanent Global Note is (or the Class A Permanent Global Note and/or the Class A Temporary Global Note are) deposited with the Common Safekeeper, notices to Class A Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with the Notices Condition on the date of delivery to Euroclear and Clearstream, Luxembourg.

Transfers: For so long as the Class A Notes are represented by a Class A Global Note, the Notes so represented by such Class A Global Note will be transferable in accordance with the rules and procedures for the time being of Euroclear, or, as the case may be, Clearstream, Luxembourg and the Issuer, the Principal Paying Agent and the Trustee may treat each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Class A Notes (in which regard any certificate or other document issued by Euroclear or Clearstream,

Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) as the holder of such principal amount of such Notes for all purposes, other than with respect to the payment of interest and repayment of principal on such Class A Notes, the right to which shall be vested solely in the bearer of the relevant Class A Global Note and in accordance with its terms.

Meetings: The holder of each Class A Global Note will be treated as being two persons for the purposes of any quorum requirement of, or the right to demand a poll at, a meeting of holders of each class of the Class A Notes, as the case may be, and, at any such meeting, as having one vote in respect of each £50,000 principal amount of each class of the Class A Notes for which the Class A Global Note may be exchanged.

Class B Notes

The Class B Notes will be issued in registered form and will be in denominations of £50,000. Class B Note Certificates will be issued to each Class B Noteholder in respect of its registered holding of the Class B Notes. Each Class B Note Certificate will be numbered with an identifying number, which will be recorded on the relevant Class B Note Certificate and in the register of the Class B Noteholders. The Issuer will procure the register for the Class B Notes to be kept by the Registrar at its specified office.

Title to the Class B Notes passes only by registration in the Register of the Class B Noteholders. Each Class B Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust of any interest or any writing on, or the theft or loss of, the Class B Note Certificate issued in respect of it).

A Class B Noteholder may transfer all or part of his holding of a Class B Note without the consent of the Trustee. Any permitted transfer of a Class B Note may be carried out by surrendering for registration the relevant Class B Note Certificate with the endorsed form of transfer in the form substantially as set out in the Trust Deed (the "**Form of Transfer**") (including any certification as to compliance with restrictions on transfer included in such Form of Transfer) duly completed and executed, at the Specified Office of the Registrar together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the Form of Transfer.

RATINGS OF THE CLASS A NOTES

The Class A Notes are expected to be assigned the following rating by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances in the future so warrant.

Class of Notes	Expected Ratings by Fitch
Class A Notes	AAA

The rating assigned to the Class A Notes address the likelihood of full and timely payment of all payments of interest on each Payment Date under the Class A Notes. The rating also addresses the likelihood of ultimate payment of principal on the Final Maturity Date. The rating do not address the likely actual rate of prepayments on the Mortgage Loans. The rate of prepayments, if different from that originally anticipated, could adversely affect the yield realised on the Class A Notes.

Assignment of the expected rating to the Class A Notes will be a condition to the issue of the Class A Notes.

TERMS AND CONDITIONS OF THE NOTES

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

1. General

- 1.1 The Issuer has agreed to issue the Notes on the Closing Date subject to the terms of the Trust Deed.
- 1.2 The Paying Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Conditions are summaries of the Trust Documents and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.4 The Instrumentholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Primary Transaction Documents.
- 1.5 Copies of the Primary Transaction Documents are available for inspection by Noteholders during normal business hours at the principal office for the time being of the Trustee, being at the date hereof 8 Canada Square, London E14 5HQ and at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Definitions

- 2.1 In these Conditions the following defined terms have the meanings set out below:

"Account Bank Agreements" means the Issuer Account Bank Agreement and the Liquidity Reserve Account Bank Agreement;

"Account Banks" means the Issuer Account Bank and the Liquidity Reserve Account Bank;

"Account Details" means the details of each of the accounts in relation to the Issuer set out in Schedule 6 of the Incorporated Terms Memorandum;

"Agent Bank" means HSBC Bank plc in its capacity as agent bank in accordance with the terms of the Paying Agency Agreement;

"Agents" means the Agent Bank, Registrar and the Paying Agents, and **"Agent"** means any one of them;

"Assigned Rights" means the Mortgage Assets, together with the Borrower Loan Agreements in respect thereof and the Principal Receivables and Revenue Receivables thereunder, assigned or to be assigned to the Issuer by the Originator in accordance with the terms of the Mortgage Sale Agreement;

"Available Principal Receipts" means, in relation to a Payment Date, the amount calculated as at the related Calculation Date equal to the sum of:

- (a) the aggregate of the Principal Receipts received by the Issuer during the related Collection Period;
- (b) any amounts credited to the Principal Deficiency Ledgers; and
- (c) any amounts standing to the credit of the Substitute Loans GIC Account;

"Available Revenue Receipts" means, in relation to a Payment Date, all Revenue Receipts transferred by or at the direction of the Servicer into the Issuer Transaction Account during the Collection Period ended on such Payment Date, plus any Recoveries made during such Collection Period, plus any amounts standing to the credit of the Reserve Account;

"Block Voting Instruction" means either the Class A Block Voting Instruction or, as the case may be the Class B Block Voting Instruction;

"Borrower" means the relevant borrower under a Borrower Loan Agreement;

"Borrower Loan Agreement" means, in respect of each Mortgage Loan, the relevant loan facility agreement between the Originator and the relevant Borrower, and **"Borrower Loan Agreements"** means all or some of them as the context may require;

"Breach of Duty" means, in relation to any person, a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person;

"Business Day" means any weekday on which banks are generally open for business in London and Amsterdam;

"Calculation Date" means in relation to a Collection Period, two (2) Business Days prior to each Payment Date;

"Charged Property" means all the property of the Issuer which is subject to the Security;

"Citco" means Citco London Limited;

"class" and any reference to a **"class"** of Notes, Class A Coupons, Noteholders or Class A Couponholders shall be a reference to any or all of the respective Class A Notes and Class B Notes or Class A Coupons or any or all of their respective holders, as the case may be;

"Class A Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Class A Notes have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Class A Notes and notification thereof by such Paying Agent to the Issuer and the Trustee;
- (b) certifying that the depositor of such specified Class A Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such specified Class A Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if Class A Definitive Notes have been issued) the certificate numbers of such specified Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Class A Notes in accordance with such instructions;

"Class A Coupon Sheet" means a coupon sheet relating to the Class A Definitive Notes;

"Class A Couponholders" means the persons who for the time being are holders of the Class A Coupons;

"Class A Coupons" means the interest coupons related to the Class A Definitive Notes in, or substantially in, the form set out in Part 2 of Schedule 3 of the Trust Deed and for the time being outstanding or, as the context may require, a specific number of such coupons;

"Class A Definitive Notes" means any Class A Notes issued in definitive bearer form;

"Class A Global Notes" means each Class A Temporary Global Note and each Class A Permanent Global Note;

"Class A Noteholders" means the persons who for the time being are holders of the Class A Notes;

"Class A Notes" means the £245,550,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2022 issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by Class A Definitive Notes, the Class A Temporary Global Note or the Class A Permanent Global Note;

"Class A Permanent Global Note" means the permanent global note representing the Class A Notes in, or substantially in, the form set out in Schedule 2 of the Trust Deed;

"Class A Principal Deficiency Ledger" means the ledger in the books of the Issuer so named, maintained to record Principal Loss in respect of the Mortgage Loans up to the Principal Amount Outstanding of the Class A Notes;

"Class A Receiptholders" means the persons who for the time being are holders of Class A Receipts;

"Class A Receipts" means the principal receipts related to the Class A Definitive Notes;

"Class A Talon" and **"Class A Talons"** means the talons for further Class A Receipts and further Class A Coupons attached to the Class A Definitive Notes on issue;

"Class A Temporary Global Note" means the temporary global note representing the Class A Notes in, or substantially in, the form set out in Schedule 1 of the Trust Deed;

"Class B Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by the Registrar:

(a) certifying:

(i) that the holder of a Class B Note or a duly authorised person on its behalf has instructed the Registrar that the votes attributable to such Class B Note are to be cast in a particular way on each resolution to be put to the Meeting; or

(ii) that the registered holder of a Class B Note or a duly authorised person on its behalf has instructed the Registrar that the votes attributable to such Class B Note held by it are to be cast in a particular way on each resolution to be put to the Meeting and in each case that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

(b) authorising a named individual or individuals to vote in respect of the Class B Notes in accordance with the instructions referred to in (a)(ii) above;

"Class B Interest Amount Arrears" means any amount of interest in respect of the Class B Notes which is due but not paid on such Payment Date;

"Class B Noteholders" means the persons who for the time being are holders of the Class B Notes;

"Class B Notes" means the £200,950,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2022 issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, as represented by the Class B Note Certificates;

"Class B Note Certificates" means the individual note certificates issued to the Class B Noteholders in respect of their registered holding of the Class B Notes;

"Class B Principal Deficiency Ledger" means the ledger in the books of the Issuer so named, maintained to record Principal Loss in respect of the Mortgage Loans up to the Principal Amount Outstanding of the Class B Notes;

"Class B Regulations" means the regulations concerning the transfer of the Class B Notes as the same may from time to time be promulgated by the Issuer and approved by the Registrar and the Trustee (the initial such regulations being set out in Schedule 4 (*Class B Regulations concerning transfers and registration of the Class B Notes*) to the Paying Agency Agreement);

"Closing Date" means on or about 24 October 2008;

"Closing Primary Transaction Documents" means the Mortgage Sale Agreement, the Servicing Agreement, the Trust Deed (including these Conditions and the Instruments issued pursuant thereto), the Security Deed, the Paying Agency Agreement, the Post-Enforcement Call Option Agreement, the Liquidity Facility Agreement, the Expenses Loan Agreement, the Swap Agreement, the Account Bank Agreements, the GIC Agreement, the Corporate Services Agreement, the Scottish Declaration of Trust and the Security Powers of Attorney and includes in each case (where the context so admits) each further or supplemental document granted pursuant thereto;

"Collateral Security" means, in relation to a Mortgage Loan, all collateral security for, and rights in respect of, such Mortgage Loan (excluding the relevant Mortgage), including cash deposits intended to provide security, charges or pledges over shares, assignments or assignments in security, floating charges, guarantees, the insurance contracts in so far as they relate to the Mortgage Loan, subordination agreements, deposit agreements, investment agreements, duty of care agreements and any rights against any person or persons in connection with the origination and completion of such Mortgage Loan;

"Collection Period" means the first day of each calendar month prior to a Payment Date (or (i) in respect of Principal Receivables in respect of the first Collection Period, from (and including) the Cut-Off Date, and (ii) in respect of Revenue Receivables in respect of the first Collection Period, from (and including) the Closing Date) to (and including) the last day of such calendar month and, in relation to a Payment Date, the **"related Collection Period"** means, unless the context otherwise requires, the Collection Period ending prior to that Payment Date;

"Conditions" means in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 5 of the Trust Deed, as they may from time to time be modified in accordance with the Trust Deed;

"Corporate Services Agreement" means the agreement so named dated on or about the Closing Date between the Issuer and the Corporate Services Provider;

"Corporate Services Provider" means Citco London Limited in its capacity as corporate services provider to the Issuer pursuant to the Corporate Services Agreement;

"Cut-Off Date" means 8 August 2008;

"Day Count Fraction" means in respect of an Interest Period:

- (a) prior to the Redenomination Date, the actual number of days in such period divided by 365 (or, if any portion of such period falls in a leap year, the sum of (i) the actual number of days in that portion of such period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of that period falling in a non-leap year divided by 365); or
- (b) on or after the Redenomination Date the actual number of days in such period divided by 360;

"Deposited Notes" means Notes that are certified by a Paying Agent to have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system;

"Eligible Investments" means (i) Sterling denominated government securities or (ii) Sterling demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper); provided that in all cases such investments will mature in the Collection Period prior to the next Payment Date and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed EU credit institution) are rated, (a) where such bank is NMR, "A 1+" (short term) by S&P or "F1" (short term) by Fitch or "P-1" (short term) by Moody's or are otherwise acceptable to S&P, Fitch and Moody's, and (b) where such bank is not NMR, "A 1+" (short term) by S&P or "F1+" (short term) by Fitch or "P-1" (short term) by Moody's or are otherwise acceptable to S&P, Fitch and Moody's or (iii) any other investments that are acceptable to S&P, Fitch and Moody's;

"EMU" means European Monetary Union;

"Enforcement Notice" means a notice delivered by the Trustee to the Issuer in accordance with Condition 12 (*Events of Default*) which declares the Notes to be immediately due and payable;

"Euro Commencement Date" means the date on which the United Kingdom becomes a Participating Member State;

"Event of Default" means any one of the events specified in Condition 12 (*Events of Default*);

"Expenses Loan Agreement" means a loan agreement to be entered into on or about the Closing Date between the Expenses Loan Provider and the Issuer;

"Expenses Loan Provider" means NMR;

"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 three quarters of the votes cast;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Parties that it is satisfied that all the Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Payment Date falling in October 2022;

"First Payment Date" means the Payment Date falling in December 2008;

"Fitch" means Fitch Ratings Limited;

"Form of Transfer" means, in relation to a transfer of a Class B Note Certificate, the form of transfer substantially in the form set out in Part 2 of Schedule 4 (*Form of Transfer*) to the Trust Deed;

"Form of Proxy" means, in relation to any Meeting, a document in the English language available from the Registrar signed by the registered owner of a Class B Note or, in the case of a corporation, executed under its seal or signed on its behalf by a duly authorised officer and delivered to the Registrar not later than 48 hours before the time fixed for such Meeting, appointing a named individual or individuals to vote in respect of the relevant Class B Note;

"Further Advances" means further advances made under the Mortgage Loans which have undrawn commitments on or after the Closing Date;

"Further Advances Fund" means the fund established by the Issuer to fund the acquisition from the Originator of the title to Further Advances made by the Originator under certain of the Borrower Loan Agreements;

"Further Advances Fund GIC Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"GIC Accounts" means the Further Advances Fund GIC Account and the Substitute Loans GIC Account and **"GIC Account"** shall mean either of them;

"GIC Agreement" means a guaranteed interest contract dated on or about the Closing Date between the GIC Provider, the Issuer and the Trustee;

"GIC Provider" means N M Rothschild & Sons Limited, in its capacity as provider to the Issuer of guaranteed interest accounts;

"Holdco" means Real Estate Capital No. 7 Holdings Ltd.;

"HSBC Accounts" means the Issuer Transaction Account and the Reserve Account;

"Incorporated Terms Memorandum" means the memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties;

"Initial Principal Amount" means, in relation to any Note, the Principal Amount Outstanding of such Note on the Closing Date on which such Note is issued;

"Insolvency Act" means the Insolvency Act 1986, as amended;

"Insolvency Event" in respect of a company means:

- (a) such company is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or
- (b) such company admits it is or becomes unable to pay its debts as they fall due; or
- (c) the value of the assets of such company falls to less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or
- (d) such company otherwise becomes insolvent; or
- (e) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order; or
- (f) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in relation to such company; or
- (g) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or, in the sole opinion of the Trustee, any substantial part of the undertaking or assets of such company; or
- (h) any distress, execution, attachment, diligence or other process being levied or enforced or imposed upon or against the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days; or
- (i) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally; or
- (j) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Class A Notes); or

- (k) the appointment of an Insolvency Official in relation to such company or in relation to the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, a Receiver); or
- (l) any equivalent or analogous event or circumstances under the law of the jurisdiction in which such company is incorporated or of a jurisdiction in which such company carries on business;

"Insolvency Official" means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, administrative receiver, receiver, manager, nominee, supervisor, trustee, 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, in respect of a company, the winding-up, liquidation, dissolution or administration of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors;

"Instrumentholders" means the persons who for the time being are the holders of the Instruments;

"Instruments" means the Class A Temporary Global Notes, the Class A Permanent Global Notes, the Class A Definitive Notes, the Class A Coupons, the Class A Receipts, the Class A Talons and the Class B Note Certificates and **"Instrument"** means any one of them;

"Interest Amount" means:

- (a) in respect of any Class A Note for any Interest Period, the aggregate of the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such Note on the Payment Date coinciding with such Interest Determination Date by the relevant Note Rate and multiplying the amount so calculated by the Day Count Fraction and rounding the resultant figure down to the nearest Minimum Amount; and
- (b) in respect of any Class B Note for any Interest Period, the aggregate of:
 - (i) the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such Note on the Payment Date coinciding with such Interest Determination Date by the relevant Note Rate and multiplying the amount so calculated by the Day Count Fraction and rounding the resultant figure down to the nearest Minimum Amount; and
 - (ii) the amount of any Class B Interest Amount Arrears in respect of such Note on the preceding Payment Date, together with accrued interest on such arrears (if applicable) in accordance with Condition 7.10 (*Deferral of Interest Amount Arrears*); and
- (c) in relation to a class of Note for any Interest Period, the aggregate amount calculated in accordance with paragraphs (a) or (b) above (as the case may be) in respect of such class for such Interest Period;

"Interest Determination Date" means two days prior to each Payment Date or, in the case of the first Interest Period, two days prior to the Closing Date and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date immediately preceding such Interest Period;

"Interest Period" means each period from (and including) a Payment Date (or the Closing Date) to (but excluding) the next (or First) Payment Date and, in relation to an Interest Determination

Date, the "**related Interest Period**" means the Interest Period immediately following such Interest Determination Date;

"**Issuer**" means Real Estate Capital No. 7 plc, a public limited company incorporated in England and Wales with registered number 6544679 as issuer of the Notes;

"**Issuer Account Bank**" means HSBC Bank plc in its capacity as account bank in accordance with the terms of the Issuer Account Bank Agreement;

"**Issuer Account Bank Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Originator, the Servicer, the Issuer Account Bank and the Trustee;

"**Issuer Accounts**" means the HSBC Accounts, the Liquidity Reserve Drawing Account and the GIC Accounts;

"**Issuer Covenants**" means the covenants of the Issuer set out in Schedule 4 (Issuer Covenants) of the Incorporated Terms Memorandum;

"**Issuer Profit Ledger**" means the ledger in the books of the Issuer so named, maintained to record profit retained by the Issuer;

"**Issuer Security Power of Attorney**" means the power of attorney executed by the Issuer in favour of the Trustee on the Closing Date in the form agreed between such parties;

"**Issuer Security Trust Assignment**" means an assignment in security supplemental to the Security Deed in the form set out in Schedule 5 of the Security Deed;

"**Issuer Transaction Account**" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"**LF Revolving Drawing**" means a drawing made by the Issuer in accordance with the terms of the Liquidity Facility Agreement or, as the case may be, the principal amount of such drawing for the time being outstanding;

"**Liabilities**" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever, including reasonable legal fees and any Taxes and penalties incurred by that person, together with any VAT charged or chargeable in respect thereof;

"**LIBOR**" means the London Inter-Bank Offered Rate being the rate for Sterling which appears on the display page designated "LIBOR01" or, in relation to any other currency, the Reuters display page designated LIBOR01 on Reuters (or such other successor or other page as may replace the relevant page on that service, or such other market service as may be nominated by the Agent Bank for the purpose of displaying comparable rates) as of 11:00 a.m. (London time) on the Quotation Day and if no such rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent Bank at its request quoted by the Reference Banks to leading banks in the London interbank market;

"**Liquidity Facility Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Liquidity Facility Provider and the Trustee;

"**Liquidity Facility Provider**" means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch in its capacity as liquidity facility provider in accordance with the terms of the Liquidity Facility Agreement;

"**Liquidity Ledger Drawing**" means an amount recorded as a debit entry on the Liquidity Ledger and recorded as a credit entry on the Revenue Ledger by the Servicer on any Business Day during a Collection Period or on a Payment Date to meet (or to be applied towards meeting) a Liquidity Shortfall;

"Liquidity Ledger" means the ledger in the books of account of the Issuer so named;

"Liquidity Reserve Account Bank" means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch in its capacity as account bank in accordance with the terms of the Liquidity Reserve Account Bank Agreement;

"Liquidity Reserve Account Bank Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Originator, the Servicer, the Liquidity Reserve Account Bank and the Trustee;

"Liquidity Reserve Drawing" means a drawing so named by the Issuer in accordance with the terms of the Liquidity Facility Agreement or, as the case may be, an advance made by the Liquidity Facility Provider pursuant to Clause 9.4.2 (b) (*New Liquidity Facility Availability Period*) of the Liquidity Facility Agreement;

"Liquidity Reserve Drawing Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such Account;

"Liquidity Reserve Loan" means, at any time, the Liquidity Reserve Drawing or, as the case may be, the principal amount thereof for the time being outstanding;

"Liquidity Reserve Loan Period" means the period, after the date upon which the Issuer has drawn down the Liquidity Reserve Loan, during which the Liquidity Reserve Loan remains outstanding;

"Liquidity Shortfall" means, as at any Payment Date, if:

- (a) the monies in the Revenue Ledger available to meet the payment obligations of the Issuer specified in item (e) of the Pre-Enforcement Revenue Payments Priorities after paying for or providing for in full items (a) to (d) inclusive of the Pre-Enforcement Revenue Payments Priorities due to be paid; is less than
- (b) the aggregate of the amounts required by the Issuer to pay or to provide for in full on such Payment Date item (e) of the Pre-Enforcement Revenue Payments Priorities due to be paid,

then, the difference between items (a) and (b), otherwise zero;

"Meeting" means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment);

"Minimum Amount" means one £0.01;

"Moody's" means Moody's Investor Services Inc.;

"Mortgage" means, in respect of a Mortgage Loan, any mortgage or charge by way of legal mortgage over property situated in England or Wales or (as applicable) any standard security over property situated in Scotland securing, among other things, the repayment of such Mortgage Loan;

"Mortgage Asset" means any Mortgage Loan, together with the related Mortgage, Collateral Security, which is assigned or proposed to be sold and assigned by the Originator to the Issuer in accordance with the terms of the Mortgage Sale Agreement and all rights accruing to or associated with such Mortgage Loan, Mortgage, Collateral Security and **"Mortgage Assets"** means all such Mortgage Loans, Mortgages, Collateral Security and other rights;

"Mortgage Loan" and **"Mortgage Loans"** means all advances by way of loan by the Originator to a Borrower made pursuant to a Borrower Loan Agreement (including, for the avoidance of doubt, any Further Advances and Substitute Loans);

"Mortgage Sale Agreement" means the agreement so named dated on or about the Closing Date between the Originator, the Issuer and the Trustee;

"Net Proceeds" means the actual proceeds of:

- (c) a foreclosure on the mortgage right securing the Mortgage Loan;
- (d) a foreclosure on any other collateral securing the Mortgage Loan;
- (e) the collection, if any, of any insurance policies in connection with the Mortgage Loan, including but not limited to any insurance policy and any fire insurance policy;
- (f) any guarantees or sureties issued in connection with the Mortgage Loan; and
- (g) foreclosure on any other assets of the relevant Borrower under the Mortgage Loan,

after deduction of foreclosure costs in respect of the applicable Mortgage Loan;

"NMR" means N M Rothschild & Sons Limited;

"Non-Performing Loan" means a Mortgage Loan in respect of which interest or principal payments are 10 Business Days or more in arrears;

"Note Principal Payment" means, in respect of each Note of a given class and in relation to the amount of Available Principal Receipts on any Payment Date, any of:

- (a) in the case of a mandatory redemption in part pursuant to Condition 8.3 (*Mandatory redemption in part*), a *pro rata* share of the aggregate amount of such Available Principal Receipts to be applied in or towards redeeming the Notes of such class in accordance with the Pre-Enforcement Principal Payments Priorities, **provided always that** no such Note Principal Payment may exceed the Principal Amount Outstanding in respect of the relevant Note; or
- (b) in the case of optional redemption in full of the Notes pursuant to Condition 8.6 (*Optional Redemption in whole*) and Condition 8.7 (*Optional Redemption in whole for taxation reasons*), the amount of such Available Principal Receipts to be applied in redeeming in full each Note of such class at its Principal Amount Outstanding on the relevant Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities;

"Note Rate" means, in respect of each class of Notes for each Interest Period, LIBOR determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class;

"Noteholders" means the Class A Noteholders and the Class B Noteholders or, where the context otherwise requires, the holders of a particular class or classes;

"Notes" means the Class A Notes and the Class B Notes;

"Notices Condition" means Condition 21 (*Notices*);

"Notices Details" means the provisions set out in Schedule 5 (Notices Details) of the Incorporated Terms Memorandum;

"Obligations" means all of the obligations of the Issuer created by or arising under the Notes and the Primary Transaction Documents;

"Originator" means NMR in its capacity as the originator of the Mortgage Assets;

"Originator Security Power of Attorney" means a power of attorney executed by the Originator in favour of the Issuer and the Trustee on the Closing Date in the form agreed between such parties;

"outstanding" means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in full and cancelled in accordance with the Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption, Purchase and Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under the Conditions;
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
- (f) any Class A Temporary Global Note, to the extent that it has been exchanged for a Class A Permanent Global Note of the same class, or any Class A Permanent Global Note, to the extent that it has been exchanged for the related Class A Definitive Notes pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 19 (*Waiver*), Clause 20 (*Modification*), Clause 23 (*Proceedings and Actions by the Trustee*), Clause 33 (*Appointment of Trustees*) and Clause 34 (*Notice of New Trustee*) of the Trust Deed and Condition 12 (*Events of Default*), Condition 13 (*Enforcement*) and Condition 15 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Trust Documents or provided by law, which the Trustee or the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

"Participating Member State" means at any time any member state of the EMU that has adopted the euro as its lawful currency in accordance with the Treaty;

"Paying Agency Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents, the Registrar and the Trustee;

"Paying Agents" means the Principal Paying Agent and the paying agents named in the Paying Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Paying Agency Agreement;

"Payment Date" means 10th day of each calendar month commencing on the First Payment Date, **provided that**, if any such day is not a Business Day, the Payment Date shall be the immediately succeeding Business Day;

"Payment Default" means any failure by a Borrower to pay any amount then due and payable on a Mortgage Loan whereby, pursuant to the terms of the relevant Borrower Loan Agreement, such

Mortgage Loan is thereby entitled to be accelerated such that all amounts then outstanding are thereby immediately due and payable;

"Payments Priorities" means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

"Portfolio" means the Mortgage Loans and related Borrower Loan Agreements specified in Schedule 6 of the Mortgage Sale Agreement;

"Post-Enforcement Call Option" means the option granted to Holdco pursuant to the Post-Enforcement Call Option Agreement;

"Post-Enforcement Call Option Agreement" means the agreement so named dated on or about the Closing Date between the Trustee and Holdco;

"Post-Enforcement Payments Priorities" means the provisions relating to the order of priority of payments from the Issuer Account set out in Schedule 1 (Post-Enforcement Payments Priorities) of the Security Deed;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"Pre-Enforcement Payments Priorities" means the Pre-Enforcement Principal Payments Priorities and the Pre-Enforcement Revenue Payments Priorities;

"Pre-Enforcement Principal Payments Priorities" means the provisions relating to the order of priority of payments of Available Principal Receipts set out in Schedule 10 of the Servicing Agreement;

"Pre-Enforcement Revenue Payments Priorities" means the provisions relating to the order of priority of payments of Available Revenue Receipts set out in Schedule 9 of the Servicing Agreement;

"Prepayment Charges" means amounts received by the Issuer as additional payments upon the prepayment of a Mortgage Loan (excluding the principal amount to be repaid, any breakage costs, any accrued interest payable in respect of such Mortgage Loan and any swap breakage receipts);

"Primary Transaction Documents" means the Signing Primary Transaction Documents and the Closing Primary Transaction Documents;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day; and
- (b) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

"Principal Deficiency Ledger" means the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger;

"Principal Ledger" means the ledger in the books of the Issuer so named;

"Principal Loss" means, on each Calculation Date, an amount determined by the Servicer to be the Principal Outstanding Balance of any Mortgage Loan which the Originator, the Servicer, the Issuer or the Trustee has foreclosed from the Closing Date up to and including the relevant Calculation Date, less the sum of the Net Proceeds and any accrued interest applied to reduce the principal amounts under such Mortgage Loan;

"Principal Outstanding Balance" means:

- (a) in relation to any Mortgage Loan and on any day, the aggregate of:
 - (i) the original principal amount advanced to any relevant Borrower pursuant to the related Borrower Loan Agreement; plus
 - (ii) any further advance of principal to such Borrower pursuant to the related Borrower Loan Agreement; minus
 - (iii) any repayments of the amounts specified in (i) to (ii) (inclusive) above;but after completion to the Trustee's satisfaction of any enforcement procedures under the related Mortgage and Collateral Security, the Principal Outstanding Balance of such Mortgage Loan will be deemed to be zero;
- (b) in relation to the Portfolio on any day, the aggregate of the Principal Outstanding Balances in respect of the Mortgage Loans comprised in the Portfolio;

"Principal Paying Agent" means HSBC Bank plc in its capacity as principal paying agent in accordance with the terms of the Paying Agency Agreement;

"Principal Prepayments" means: (i) the aggregate of principal payments received by or on behalf of the Issuer in respect of Mortgage Loans as a result of any prepayment in part or in full made by the Borrowers pursuant to the terms of the related Borrower Loan Agreements; (ii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of a repurchase of a Mortgage Loan; (iii) all insurance proceeds relating to principal received by or on behalf of the Issuer other than those required to be paid to the relevant Borrower or used to reinstate the related Property pursuant to the terms of the related Borrower Loan Agreement, the related insurance policies and any other relevant instrument; and (iv) any amounts transferred from the Further Advances Fund GIC Account in respect of Undrawn Commitment Cancellations, but, for the avoidance of doubt, excluding in all instances any Prepayment Charges;

"Principal Receipts" means, in relation to a Collection Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) the aggregate of all amounts in respect of Principal Receivables received by the Issuer during such Collection Period;
- (b) on the Further Advances Fund Expiry Date, all amounts standing to the credit of the Further Advances Fund GIC Account; and
- (c) on the Payment Date falling in December 2008 only, an amount equal to the aggregate Principal Amount Outstanding of the Notes on the Closing Date less (i) the aggregate Principal Outstanding Balance of the Mortgage Loans as at the Closing Date, (ii) the amount of the Further Advances Fund as at the Closing Date and (iii) any payments in respect of principal made by Borrowers between the Cut-Off Date and the Closing Date;

"Principal Receivables" means, on any day, the principal payments (whether or not yet due) paid by the relevant Borrowers under the Borrower Loan Agreements including Principal Prepayments and Final Principal Payments;

"Prior Ranking Expenses" means amounts representing over-payments or erroneous over-payments by the Originator (such as where the Originator has paid more than he or she is required to do in relation to a particular monthly payment, leading in turn to an obligation on the part of the Originator to refund such repaid element);

"Prospectus" means the Prospectus dated 23 October 2008 prepared in connection with the issue by the Issuer of the Notes;

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 6 of the Trust Deed;

"Proxy" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (d) any person whose appointment has been revoked and in relation to whom the relevant Paying Agent or Class B Noteholder has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (e) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"Quarter" means every third Payment Date starting from the Payment Date falling in February 2009.

"Quotation Day" means, in relation to any Interest Period for which an interest rate is to be determined:

- (i) if the currency is Sterling, the first (1st) day of the Interest Period; or
- (ii) for any other relevant currency, two (2) Business Days before the first (1st) day of the Interest Period,

unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Agent Bank in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one (1) day, the Quotation Day will be the last of those days);

"Redenomination Date" means a Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to (or does) redenominate the currency of the Notes into euro;

"Receiver" means any receiver, manager, receiver and manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 18 (*Appointment and Removal of Receiver*) of the Security Deed;

"Recoveries" means, on any date, all amounts recovered in respect of a Mortgage Loan for which a Principal Loss has been debited to the Principal Deficiency Ledger;

"Reference Banks" means the four major banks in the Relevant Interbank Market selected by the Agent Bank at the relevant time;

"Register" means the register to be maintained by the Registrar in relation to the Class B Notes pursuant to Clause 7.1 (*Maintenance of the Register*) the Paying Agency Agreement;

"Registrar" means HSBC Bank plc, in its capacity as registrar in respect of the Class B Notes in accordance with the terms of the Paying Agency Agreement;

"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 the Notices Condition;

"Relevant Interbank Market" means, in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market;

"Relevant Margin" means:

- (a) for the Class A Notes, 1.15 per cent., per annum; and
- (b) for the Class B Notes, 1.26 per cent., per annum;

"Relevant Period" means, in relation to an Interest Determination Date, the length in months of the related Interest Period;

"Relevant Screen" means a page of the Reuters LIBOR screen, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition, and the initial Relevant Screen means Reuters LIBOR screen or a website, as may be established by or on behalf of the Issuer and notified to the Noteholders in accordance with Condition 21 (Notices);

"Required Paying Agent" means any Paying Agent (which may be the Principal Paying Agent) which is the sole remaining Paying Agent with its Specified Office in any city where a stock exchange on which the Notes are listed requires there to be a Paying Agent;

"Reserve Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any class, to change the amount of principal or interest due on any date in respect of the Notes of any class or to alter the method of calculating the amount of any payment in respect of the Notes of any class on redemption or maturity;
- (b) (except in accordance with Condition 20 (*Substitution of Issuer*) and Clause 21 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable (other than pursuant to redenomination into sterling);
- (d) to alter the priority of payment of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition;

"Revenue Ledger" means the ledger in the books of the Issuer so named;

"Revenue Receipts" means, in relation to a Collection Period, the aggregate of:

- (a) all amounts in respect of Revenue Receivables received during such Collection Period;
- (b) all receipts under the Swap Agreement (other than in respect of Swap Collateral) in respect of interest to be received by the Issuer on the Payment Date following such Collection Period;
- (c) all LF Revolving Drawings and any Liquidity Ledger Drawing to be made on the Payment Date on which such Collection Period ends;
- (d) where, during such Collection Period, the proceeds of disposal or on maturity of any Eligible Investment exceed the original cost of such Eligible Investment, the amount of such excess;

- (e) any interest, dividends or other income earned on any Eligible Investment and/or Issuer Accounts during such Collection Period; and
- (f) all amounts available, if any, at item (e) of the Pre-Enforcement Principal Payments Priorities;

"Revenue Receivables" means all payments (whether or not yet due) paid by the Borrower under a Borrower Loan Agreement, other than Principal Receivables and Recoveries;

"Rounded Arithmetic Mean" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"S&P" means Standard & Poor's Ratings Group, a division of the McGraw Hill Companies Inc.;

"Scottish Collateral Security" means Collateral Security which is governed by Scots law;

"Scottish Declaration of Trust" means a declaration of trust in respect of certain Scottish Mortgages (other than a Scottish Security Trust Mortgage) and the Scottish Collateral Security relative thereto in the form set out in Schedule 12 of the Mortgage Sale Agreement;

"Scottish Mortgage" means a Mortgage secured over a property located in Scotland;

"Scottish Security Trust Mortgage" means a Scottish Mortgage which has been granted by a Borrower or Mortgagor in favour of an entity other than the Originator and which is held in security trust by that heritable creditor as security trustee for and on behalf of the Originator;

"Scottish Sub-Assignment" means an assignment in security supplemental to the Security Deed as may be requested by the Trustee pursuant to clause 4.3 of the Security Deed and in such form as the Trustee may require in order to perfect first ranking fixed security over the Issuer's legal title to any Scottish Collateral Security which has vested in the Issuer following the relevant Transfer Act;

"Scottish Sub-Security" means a standard security supplemental to the Security Deed as may be requested by the Trustee pursuant to clause 4.3 of the Security Deed and in such form as the Trustee may require in order to perfect first ranking fixed security over the Issuer's legal title to any Scottish Mortgage which has vested in the Issuer following the relevant Transfer Act;

"Scottish Supplemental Charge" means an assignment in security supplemental to the Security Deed in the form set out in Schedule 3 of the Security Deed;

"Secured Amounts" means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Parties under the Notes or the Primary Transaction Documents;

"Secured Parties" means the Trustee in its own capacity and as trustee on behalf of the Instrumentholders, the Trustee, any Receiver or other appointee of the Trustee, the Agents, the Swap Counterparty, the Servicer, the Issuer Account Bank, the Liquidity Reserve Account Bank, the Corporate Services Provider, the Liquidity Facility Provider, the Expenses Loan Provider, the GIC Provider and the Originator;

"Security" means the security created in favour of the Trustee pursuant to the Security Deed;

"Security Deed" means the deed so named dated on or about the Closing Date between, inter alios, the Issuer and the Trustee, as the same may be modified, or supplemented from time to time (including, for the avoidance of doubt, any Scottish Supplemental Charge, Issuer Security Trust Assignment, Scottish Sub-Assignment or Scottish Sub-Security executed pursuant thereto);

"Security Powers of Attorney" means the Originator Security Power of Attorney and the Issuer Security Power of Attorney;

"Servicer" means NMR in its capacity as Servicer in accordance with the terms of the Servicing Agreement;

"Servicing Agreement" means the agreement so named dated on or about the Closing Date between the Issuer, the Servicer, the Originator and the Trustee;

"Signing Primary Transaction Documents" means the Prospectus and the Subscription Agreement;

"Specified Office" means, in relation to any Agent or the Registrar:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent or Registrar may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Paying Agency Agreement;

"Sterling" and **"£"** denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"Stock Exchange" means Euronext Amsterdam;

"Subscription Agreement" means the agreement so named dated on or about 23 October 2008 between the Issuer, Originator, Servicer, Initial Purchaser and Manager of the note issue referred to therein;

"Substitute Loans GIC Account" means the account so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

"Substitute Loans Notice" means the notice given by the Originator to the Issuer at least 3 Business Days prior an Payment Date specifying the amount of Substitute Loans that the Issuer will be required to purchase on the relevant Payment Date;

"Substitute Loans Purchase Price" means in respect of the Substitute Loans, the amount of the consideration paid or to be paid to the Originator for the purchase of the Substitute Loans on the Substitute Loans Purchase Date, such amount being equal to the Principal Outstanding Balance of such Substitute Loans as at the Substitute Loans Purchase Date;

"Substituted Obligor" means a single purpose company incorporated in any jurisdiction that meets the criteria established from time to time by Fitch for a single purpose company in England and Wales;

"Successor Trustee" means an entity appointed in accordance with Clause 34 (*Notice of a New Trustee*) of the Trust Deed to act as successor trustee under the Trust Deed;

"Swap Agreement" means the ISDA Master Agreement (1992 Multi-currency Cross Border) including the Schedule thereto dated on or about the Closing Date between the Issuer and the Swap Counterparty and any transactions entered into thereunder and any Credit Support Annex, each between the Swap Counterparty and the Issuer;

"Swap Collateral" means cash and other assets transferred as collateral (and the interest, income and all other amounts attributable to them) in accordance with the Swap Agreement.

"Swap Counterparty" means NMR;

"Swap Transaction" means, in relation to the Mortgage Loans, any swap transaction entered into by the Issuer;

"Tax Deduction" means any deduction or withholding on account of Tax;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any authority in the United Kingdom or any

other jurisdiction and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Transaction Party" means any person who is a party to a Primary Transaction Document, and **"Transaction Parties"** means some or all of them;

"Treaty" means the Treaty establishing the European Communities, as amended;

"Trust Deed" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee, as modified or supplemented from time to time;

"Trust Documents" means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable);

"Trustee" means HSBC Corporate Trustee Company (UK) Limited in its capacity as trustee under the Trust Deed and any future or other trustee under the Trust Deed;

"Undrawn Commitment Cancellation" means the cancellation of the commitment under a Borrower Loan Agreement to make a further advance thereunder;

"VAT" means value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto and includes any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time; and

"Voter" means, in relation to any Meeting,

- (c) in the case of the Class A Notes the bearer of a Voting Certificate, a Proxy or the bearer of a Class A Definitive Note who produces such Class A Definitive Note at such Meeting;
- (d) in the case of the Class B Notes, a Proxy or (subject to Paragraph 5 of Schedule 6 (Provisions for Meetings of Noteholders) to the Trust Deed) a Class B Noteholder; provided, however, that (subject to Paragraph 5 of Schedule 6 (Provisions for Meetings of Noteholders) to the Trust Deed) any Class B Noteholder which has appointed a Proxy under a Class B Block Voting Instruction or Form of Proxy shall not be a "Voter" except to the extent that such appointment has been revoked and the Registrar notified in writing of such revocation at least 48 hours before the time fixed for such Meeting;

"Voting Certificate" means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated in which it is stated:

- (e) that the Deposited Notes will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (f) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Deposited Notes;

"Written Resolution" means a resolution in writing signed by or on behalf of a majority of not less than three quarters of the Principal Amount Outstanding of the holders of Notes of the relevant Class who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the 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.

2.2 *Interpretation*

Wording and expressions used but not defined in these Conditions have the meaning ascribed to them in the Master Definitions Schedule set out in Schedule 1 of the Incorporated Terms Memorandum.

3. **Form, Denomination and Title**

3.1 *Class A Notes - Form and Denomination*

The Class A Notes will initially each be represented by a temporary global note in bearer form, (a "**Class A Temporary Global Note**") without Class A Coupons or Class A Receipts attached. The Class A Temporary Global Note will be exchangeable for Class A Notes represented by a permanent global note (a "**Class A Permanent Global Note**") without Class A Coupons or Class A Receipts attached. The Class A Temporary Global Notes and the Class A Permanent Global Notes shall be kept with a common safekeeper (the "**Common Safekeeper**") for Clearstream Luxembourg and Euroclear on the Closing Date. Upon deposit of the Class A Temporary Global Notes, Clearstream, Luxembourg or Euroclear (as the case may be) will credit each subscriber of each of the Class A Notes with the principal amount of Class A Notes equal to the aggregate principal amount thereof for which it had subscribed and paid. So long as the Class A Notes are represented by the Class A Temporary Global Note or the Class A Permanent Global Note and the relevant clearing system(s) so permit, the Class A Notes will be tradeable only in the minimum authorised denomination of £50,000.

Interests in the Class A Temporary Global Note are exchangeable 40 days after the Closing Date provided certification of non-U.S. beneficial ownership by the Class A Noteholders has been received for interests in the Class A Permanent Global Note in bearer form (which will also be kept with the Common Safekeeper) representing the Class A Notes, without Class A Coupons or Class A Receipts attached. On exchange of the Class A Temporary Global Note for a Class A Permanent Global Note, the Class A Permanent Global Note will remain kept with the Common Safekeeper. The Class A Permanent Global Notes will only be exchangeable for Class A Definitive Notes in certain limited circumstances described below.

The interests in the Class A Notes are transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and Euroclear, as appropriate.

If, while any of the Class A Notes are represented by a Class A Permanent Global Note, (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so (ii) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any Tax Deduction which would not be required if the Class A Notes were in definitive form, then the Issuer will issue Class A Definitive Notes in exchange for the whole outstanding interest in the Class A Permanent Global Note at the request of the bearer of the Class A Permanent Global Note against presentation and surrender of the Class A Permanent Global Note to the Principal Paying Agent.

Class A Definitive Notes (which, if issued, will be issued in minimum denominations of £50,000) will be serially numbered and will be issued in bearer form with Class A Coupons, Class A Receipts for payments or principal and talons for other coupons and receipts attached. Title to the Class A Definitive Notes, Class A Coupons and Class A Receipts shall pass by delivery.

3.2 *Title to the Class A Notes*

The holder of any Class A Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

3.3 *Form and denomination of Class B Notes*

The Class B Notes will be issued in registered form and will be in denominations of £50,000. Class B Note Certificates will be issued to each Class B Noteholder in respect of its registered holding of the Class B Notes. Each Class B Note Certificate will be numbered with an identifying number, which will be recorded on the relevant Class B Note Certificate and in the register of the Class B Noteholders. The Issuer will procure the register for the Class B Notes to be kept by the Registrar at its specified office.

3.4 *Title to Class B Notes*

Title to the Class B Notes passes only by registration in the Register. Each Class B Noteholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust of any interest or any writing on, or the theft or loss of, the Class B Note Certificate issued in respect of it) and no person will be liable for so treating a Class B Noteholder.

3.5 *Transfer of Class B Notes*

Subject to Condition 3.7 (*Regulations concerning transfers and registration*), a Class B Noteholder may transfer all or part of its holding of a Class B Note without the consent of the Trustee. Any permitted transfer of a Class B Note may be carried out by surrendering for registration the relevant Class B Note Certificate, with the endorsed Form of Transfer (including any certification as to compliance with restrictions on transfer included in such Form of Transfer) duly completed and executed, at the Specified Office of the Registrar together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the Form of Transfer; provided, however, that a Class B Note may not be transferred unless the principal amount of Class B Notes transferred and (where not all of the Class B Notes held by a Class B Noteholder are being transferred) the principal amount of the balance of Class B Notes not transferred have a minimum denomination of £50,000. Where not all the Class B Notes represented by the surrendered Class B Note Certificate are the subject of the transfer, a new Class B Note Certificate in respect of the balance of the Class B Notes will be issued to the transferor.

3.6 *Registration and delivery of Class B Note Certificates*

Within five business days of receipt by the Registrar of the duly completed Form of Transfer endorsed on the Class B Note Certificate in accordance with Condition 3.5 (*Transfer of Class B Notes*), the Registrar will register the transfer in question and deliver a new Class B Note Certificate of a like principal amount to the Class B Notes transferred to each relevant Class B Noteholder:

(a) by uninsured mail (at the request and risk of the holder entitled to a Class B Note) to the address specified in the Form of Transfer; or

(b) to be made available by the Registrar to an authorised representative of the holder entitled to a Class B Note at the Registrar's specified place of business,

as agreed between the relevant Class B Noteholder and the Registrar at the relevant time.

Registration or transfer of a Class B Note will be effected without charge by or on behalf of the Issuer or the Registrar but upon payment (or the giving of such indemnity as the Issuer or the Registrar may reasonably require) in respect of any tax or other governmental charges or duties of whatever nature which may be imposed in relation to such registration or transfer.

No Class B Noteholder may require the transfer of a Class B Note to be registered during the period of five business days ending on the due date for any payment of principal, premium or interest on the Class B Notes.

In this Condition 3.6 (*Registration and delivery of Class B Note Certificates*), "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

3.7 *Class B Regulations concerning transfers and registration*

All transfers of a Class B Note will be made subject to the Class B Regulations. The Class B Regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current Class B Regulations will be mailed (free of charge) by the Registrar to any Class B Noteholder who requests in writing a copy of such Class B Regulations.

3.8 *Redenomination*

After the Euro Commencement Date and redenomination of the Notes in accordance with applicable law:

- (a) if Class A Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in denominations of Euro 10,000 each or such other denomination as the Issuer, with the consent of the Trustee, shall determine and notify to the Noteholders in accordance with the Conditions; and
- (b) the amount of interest due in respect of the Notes of each Class will be calculated by reference to the Principal Amount Outstanding of such Notes and the amount of such payment shall be rounded down to the nearest Euro 0.01.

4. **Status and Ranking**

4.1 *Status*

The Instruments constitute direct and secured obligations of the Issuer.

4.2 *Ranking*

The Notes in each class will at all times rank without preference or priority *pari passu* among themselves.

4.3 *Sole Obligations*

The Instruments are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

4.4 *Priority of Interest Payments*

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes.

4.5 *Priority of Principal Payments*

On any Payment Date, prior to the giving of an Enforcement Notice, payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes.

Following an Undrawn Commitment Cancellation, the relevant monies in the Further Advances Fund will be applied as Available Principal Receipts and paid in accordance with the Pre-Enforcement Principal Payments Priorities.

Following the giving of an Enforcement Notice, payments of principal on the Class A Notes will rank in priority to payments of principal on the Class B Notes.

5. **Security**

5.1 *Security*

The Notes are secured by the Security.

5.2 *Enforceability*

The Security will become enforceable:

- (a) upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 12 (*Events of Default*), except where the Enforcement Notice has been delivered as a result of an Insolvency Event occurring solely due to the Issuer obtaining or taking steps to obtain a moratorium pursuant to section 1A of the Insolvency Act 1986; or
- (b) if any person who is entitled to do so presents an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court,

and subject to the matters referred to in Condition 13 (*Enforcement*). Where an Enforcement Notice has been delivered as a result of an Insolvency Event occurring solely due to the Issuer obtaining or taking steps to obtain a moratorium pursuant to section 1A of the Insolvency Act 1986, the whole Security shall become enforceable on such moratorium coming to an end, provided that an Event of Default exists at such time.

6. **Issuer Covenants**

The Issuer Covenants contain certain covenants in favour of the Trustee from the Issuer which, among other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

7. **Interest**

7.1 *Accrual of Interest*

Each Note bears interest on its Principal Amount Outstanding from and including the Closing Date.

7.2 *Cessation of Interest*

Each Note of each class shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such class in accordance with the Notices Condition that it has received all sums due in respect of the Notes of such class up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3 *Calculation period of less than 1 year*

Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction.

7.4 *Interest Payments*

Interest on each Note is payable in Sterling in arrear on each Payment Date commencing on the First Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Payment Date.

7.5 *Calculation of Interest Amount*

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

7.6 *Notification of Note Rate, Interest Amount and Payment Date*

As soon as practicable after each Interest Determination Date, the Agent Bank will cause:

- (a) the Note Rate for each class for the related Interest Period;
- (b) the Interest Amount for each class for the related Interest Period; and
- (c) the Payment Date next following the related Interest Period;

to be notified in writing to the Issuer, the Servicer, the Trustee, the Principal Paying Agent and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange.

7.7 *Publication of Note Rate, Interest Amount and Payment Date*

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Payment Date in accordance with Condition 7.6 (*Notification of Note Rate, Interest Amount and Payment Date*) the Issuer will cause such Note Rate and Interest Amount for each class and the next following Payment Date to be published in accordance with the Notices Condition.

7.8 *Amendments to Publications*

The Note Rate and the Interest Amount for each class and the Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

7.9 *Determination or Calculation by Trustee*

If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for each class in accordance with this Condition, the Trustee may (or a person appointed by the Trustee for such purpose) (but without any liability accruing to the Trustee as a result):

- (a) determine the Note Rate for each class at such rate as, in its absolute discretion (having such regard as it thinks fit to the procedure described in this Condition), it deems fair and reasonable in all the circumstances; and/or
- (b) calculate the Interest Amount for each class 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.

7.10 *Deferral of Interest Amount Arrears*

If on any Payment Date (other than the Final Maturity Date or, if earlier, the date on which all of the Notes are redeemed) there are any Class B Interest Amount Arrears, such amounts shall not be regarded as payable on such date and shall accrue interest during the Interest Period in which such Payment Date falls in accordance with Condition 7.12 (*Default Interest*). Any Class B Interest Amount Arrears will instead be deferred until the first Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Class B Interest Amount Arrears to the extent of such available funds. No Interest Amount payable in relation to the Class A Notes shall be deferred pursuant to this Condition 7.10 (*Deferral of Interest Amount Arrears*). Payment of any amounts of Class B Interest Amount Arrears shall not be deferred beyond the Final Maturity Date, or beyond any earlier date on which the Class B Notes falls to be redeemed in full in accordance with Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption, Purchase and Cancellation*), and any such amount which has not then been paid in respect of the Class B Notes shall thereupon become due and payable in full.

7.11 *Notification of Class B Interest Amount Arrears*

If, on any Calculation Date, the Issuer determines that any Class B Interest Amount Arrears will arise on the immediately succeeding Payment Date, the Issuer shall give notice to this effect in

accordance with the Notices Condition, specifying the amount of the Class B Interest Amount Arrears to be deferred on such following Payment Date in respect of each Class B Note.

7.12 *Default Interest*

Any Class B Interest Amount Arrears shall bear interest during the period from (and including) the due date therefor to (and excluding) the earlier of the Payment Date upon which such Class B Interest Amount Arrears is paid. Interest on such Class B Interest Amount Arrears shall accrue from day to day at the Note Rate from time to time applicable to the relevant class and shall be due and payable when the Issuer has sufficient funds to pay the Class B Interest Amount Arrears in accordance with the applicable Payments Priorities.

7.13 *Notification of Availability for Payment*

The Issuer shall cause notice of the availability for payment of any Class B Interest Amount Arrears in respect of a class and interest thereon (and any Class B Interest Amount Arrears Discharge Date in respect of such class) to be published in accordance with the Notices Condition.

8. **Final Redemption, Mandatory Redemption in part, Optional Redemption, Purchase and Cancellation**

8.1 *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided in this Condition, the Issuer shall redeem the Notes of each class at their Principal Amount Outstanding on the Final Maturity Date.

8.2 *Calculations*

In respect of each Payment Date, the Servicer, acting on behalf of the Issuer, shall calculate, no later than the related Calculation Date, the Principal Amount Outstanding of each Note in each class and the amount of each Note Principal Payment due on the next Payment Date.

8.3 *Mandatory redemption in part*

The Issuer shall redeem in part the Notes of any class to the extent that it has funds available in accordance with the applicable Pre-Enforcement Principal Payment Priorities, as calculated pursuant to Condition 8.2 (*Calculations*). On any Payment Date, the Issuer shall determine (or procure that the Servicer determines) no later than the related Calculation Date:

- (a) if there is to be any redemption in part of the Class A Notes and/or the Class B Notes as a result of the receipt of Available Principal Receipts during the relevant Collection Period, and shall then allocate Available Principal Receipts on such Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities;
- (b) the Note Principal Payment due in respect of each Note of each class as a result of such allocation and shall make such payment in accordance with these Conditions.

8.4 *Calculations final and binding*

Each calculation by or on behalf of the Issuer of any amounts in accordance with Condition 8.2 (*Calculations*) shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.

8.5 *Trustee to determine amounts in case of Issuer default*

If the Issuer does not at any time for any reason calculate (or cause the Servicer to calculate) any Note Principal Payment or the Principal Amount Outstanding in relation to each class in accordance with this Condition, the Trustee may calculate (without any liability accruing to the Trustee as a result), or procure that the Servicer calculates, such amounts in accordance with this

Condition and each such calculation shall be deemed to have been made by the Issuer (or the Servicer on behalf of the Issuer).

8.6 *Optional Redemption in whole*

The Issuer may redeem all (but not some only) of the Notes of each class at their Principal Amount Outstanding on any Payment Date when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Class A Notes is less than 30 per cent. of the Principal Amount Outstanding of the Class A Notes issued on the Closing Date subject to the following:

- (a) that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (b) 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 on the relevant Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities.

8.7 *Optional Redemption in whole for taxation reasons*

The Issuer may redeem all (but not some only) of the Notes of each class at their Principal Amount Outstanding on any Payment Date:

- (a) which is or falls after the date on which the Issuer is to make any payment in respect of the Notes or the Swap Counterparty is to make any payment in respect of the Swap Agreement and either the Issuer or the Swap Counterparty, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment (**provided that** the Issuer or the Swap Counterparty, as applicable, has taken such steps as are reasonable in the circumstances to avoid such Tax Deduction from arising); or
- (b) after the date on which, by virtue of a change in the Tax law of the United Kingdom (or the application or official interpretation of such Tax law), the Issuer is or will be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period;
- (c) which is or falls after the date of a change in the Tax law of the United Kingdom (or the application or official interpretation of such Tax law) which would cause the amount payable in respect of interest in relation to any of the Mortgage Assets to cease to be received or receivable in whole or in part by the Issuer, including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to the relevant Mortgage Asset,

subject to the following:

- (i) that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes of each class; and
- (ii) that prior to giving any such notice, the Issuer has provided to the Trustee:
 - (A) (in the case of Conditions 8.7.2 and 8.7.3 only) 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; and
 - (B) (in the case of Conditions 8.7.1 and 8.7.3 only) a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and

- (C) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities.

8.8 *Conclusiveness of certificates and legal opinions*

Any certificate and legal opinion given by or on behalf of the Issuer pursuant to Condition 8.6 (*Optional Redemption in whole*) and Condition 8.7 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Trustee without further investigation and shall be conclusive and binding on the Noteholders and on the other Secured Parties.

8.9 *Notice of calculation*

The Issuer will cause each calculation of a Note Principal Payment and a Principal Amount Outstanding in relation to each class to be notified in writing immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange, and will immediately cause details of each calculation of a Note Principal Payment and Principal Amount Outstanding in relation to each class to be published in accordance with the Notices Condition by not later than the Payment Date on which such Note Principal Payment is due to be paid.

8.10 *Notice irrevocable*

Any such notice as is referred to in Condition 8.6 (*Optional Redemption in whole*), Condition 8.7 (*Optional Redemption in whole for taxation reasons*) or Condition 8.9 (*Notice of calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 8.6 (*Optional Redemption in whole*) or Condition 8.7 (*Optional Redemption in whole for taxation reasons*).

8.11 *Purchase and cancellation*

Prior to the delivery of an Enforcement Notice, the Issuer may at any time purchase Notes using Principal Receipts **provided that** all of the Notes of each class in respect of which payment of principal ranks in order of priority ahead of payment of principal in respect of the Notes to be purchased have been redeemed and/or purchased in full and, in the case of any purchase of Definitive Notes, all unmatured Class A Coupons, Class A Receipts and Class A Talons appertaining thereto are attached thereto or surrendered therewith.

8.12 *Restrictions on purchase price*

The Issuer may not purchase any Note of a class if the purchase price for such Note (after deducting the accrued interest) would be more than the Principal Amount Outstanding of such Note as at the date of purchase of such Note.

8.13 *Cancellation of purchased or redeemed Notes*

All Notes purchased by the Issuer or redeemed in full will be cancelled forthwith by the Issuer, together with all unmatured Class A Coupons, Class A Receipts and Class A Talons appertaining thereto or surrendered therewith, and no such Instruments may be reissued or resold.

9. **Post-Enforcement Call Option**

9.1 *Sale of Notes to Holdco*

The Noteholders will, at the request of Holdco, sell all (but not some only) of their holdings of Notes then outstanding to Holdco pursuant to the Post-Enforcement Call Option, which entitles Holdco to acquire all (but not some only) of the outstanding Notes (plus accrued interest thereon) for a consideration of £0.01 per Note, granted to Holdco by the Trustee (on behalf of the Noteholders) under the Post-Enforcement Call Option Agreement.

9.2 *Exercise of Post-Enforcement Call Option*

The Post-Enforcement Call Option will become exercisable on the date upon which the Trustee gives written notice to Holdco that it has determined, in its sole opinion and discretion, that all amounts outstanding under the Notes have become due and payable and there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Notes.

9.3 *Acknowledgement of Post-Enforcement Call Option*

Each of the Noteholders grants to the Trustee, and acknowledges that the Trustee has, the authority and the power to bind such Noteholder in accordance with the provisions set out in the Post-Enforcement Call Option Agreement and each Noteholder by acquiring the relevant Notes irrevocably authorises the Trustee to act on its behalf in respect of the Post-Enforcement Call Option and agrees to be bound by the terms of this Condition and the Post-Enforcement Call Option Agreement and ratifies the Trustee's entry into the Post-Enforcement Call Option Agreement, on its behalf, accordingly.

9.4 *Notice of exercise*

The Issuer shall give notice of exercise of the Post-Enforcement Call Option by the Trustee to the Noteholders in accordance with the Notices Condition.

10. **Payments**

10.1 *Principal*

- (a) Payments of principal in respect of the Class A Notes shall, subject to Condition 10.6 (Payments on business days), be made only against:
 - (i) (in the case of final redemption, **provided that** payment is made in full) presentation and surrender of the Notes; and
 - (ii) in respect of any Note Principal Payment which becomes due on a Payment Date, presentation and (in the case of payment in full) with respect to the Class A Notes, surrender of the appropriate Class A Receipts,at the Specified Office of any Paying Agent outside the United States by cheque drawn in Sterling or by transfer to an account in Sterling maintained by the payee.
- (b) Payment of principal in respect of the Class B Notes will be made by transfer to the registered account of the Class B Noteholder or by cheque drawn in Sterling mailed to the registered address of the Class B Noteholder if it does not have a registered account.

10.2 *Interest*

- (a) Payments of interest on the Class A Notes shall, subject to Condition 10.6 (*Payments on business days*), be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Class A Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10.1 (*Principal*).
- (b) Payments of interest on the Class B Notes shall, subject to Condition 10.6 (*Payments on business days*), be paid to the holder shown on the Register of Class B Noteholders at the close of business on the date (the record date) being the fifth day before the relevant Payment Date.

10.3 *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Instrumentholders in respect of such payments.

10.4 *Unmatured Class A Receipts Void*

On the due date for final redemption of any Class A Note pursuant to Condition 8.1 (*Final Redemption*) or early redemption of such Class A Note pursuant to Condition 8.3 (*Mandatory Redemption in part*), Condition 8.6 (*Optional Redemption in whole*), Condition 8.7 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmatured Class A Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.5 *Unmatured Class A Coupons Void*

On the due date for final redemption of any Class A Note pursuant to Condition 8.3 (*Mandatory Redemption in part*) or early redemption of such Class A Note pursuant to Condition 8.6 (*Optional Redemption in whole*), Condition 8.7 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmatured Class A Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.6 *Payments on business days*

- (a) If any Class A Note, Class A Receipt or Class A Coupon is presented for payment on a day which is not a business day in the place of presentation, payment shall not be made on such day but on the next succeeding business day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Class A Note, Class A Receipt or Class A Coupon.
- (b) In respect of the Class B Notes and where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a business day (as defined below), for value the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment. Class B Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day if a cheque mailed in accordance with this Condition arrives after the due date for payment.

10.7 *Business Days*

In this Condition 10, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to an account in Sterling, a weekday on which banks are generally open for business both in London and in such place of presentation.

10.8 *Other Interest*

Payments of interest other than in respect of matured Class A Coupons shall be made only against presentation of the relevant Class A Notes at the Specified Office of any Paying Agent outside the United States.

10.9 *Partial Payments*

- (a) If a Paying Agent makes a partial payment in respect of any Class A Note, Class A Receipt or Class A Coupon presented to it for payment, such Paying Agent will endorse on such Class A Note, Class A Receipt or Class A Coupon a statement indicating the amount and date of such payment.
- (b) If the amount of principal or interest which is due on the Class B Notes is not paid in full, the Registrar will annotate the Register of Class B Noteholders with a record of the amount of principal or interest in fact paid.

10.10 *Exchange of Class A Talons*

On or after the Payment Date of the final Class A Coupon which is (or was at the time of issue) part of a Class A Coupon Sheet, the Class A Talon forming part of such Class A Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Class A Coupon Sheet (excluding any Class A Coupons in respect of which claims have already become void pursuant to Condition 17 (*Prescription*)). Upon the due date for redemption of any Class A Note, any unexchanged Class A Talon relating to such Class A Note shall become void and no Class A Coupon will be delivered in respect of such Class A Talon.

10.11 *Notifications to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them), the Paying Agents, the Agent Bank, Registrar or the Trustee shall (in the absence of any Breach of Duty or manifest error) be binding on the Issuer and all Instrumentholders. In the absence of any Breach of Duty or manifest error, no liability to the Trustee or the Instrumentholders shall attach to the Reference Banks, the Agents or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 10.

11. **Taxation**

11.1 *Payments free of Tax*

All payments of principal and interest in respect of the Notes or Class A Coupons shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

11.2 *No payment of additional amounts*

Neither the Issuer, the Trustee nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

11.3 *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

11.4 *Tax Deduction not Event of Default*

Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction, this shall not constitute an Event of Default.

12. **Events of Default**

12.1 *Events of Default*

Subject to the other provisions of this Condition, each of the following events shall be treated as an Event of Default:

- (a) *Non-payment:* subject to Condition 7.10 (*Deferral of Interest Amount Arrears*), the Issuer fails to pay any amount of principal in respect of the Notes of either class within five days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Notes of either class within 10 days of the due date for payment of such interest; or

- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, any Primary Transaction Document (except for the Expenses Loan Agreement) or in respect of the Issuer Covenants and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or
- (c) *Insolvency Event*: an Insolvency Event (other than paragraphs (a) (as it relates to Section 123(2) of the Insolvency Act 1986) and (c) thereof) occurs in relation to the Issuer; or
- (d) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Documents or any other Primary Transaction Documents.

12.2 *Delivery of Enforcement Notice*

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes; or
- (b) if so directed by an Extraordinary Resolution of the holders of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter an Extraordinary Resolution of the holders of the Class B Notes;

deliver an Enforcement Notice to the Issuer.

12.3 *Conditions to delivery of Enforcement Notice*

Notwithstanding Condition 12.2 (*Delivery of Enforcement Notice*), the Trustee shall not be obliged to deliver an Enforcement Notice unless:

- (a) in the case of the occurrence of any of the events mentioned in Condition 12.1.2 (*Breach of other obligations*), the Trustee has certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of either class; and
- (b) it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

12.4 *Consequences of delivery of Enforcement Notice*

Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest and accrued Class B Interest Amount Arrears.

13. **Enforcement**

13.1 *Proceedings*

The Trustee may at its discretion and without further notice, institute such proceedings or take any other action as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class and under the other Primary Transaction Documents, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes; or

- (b) so directed by an Extraordinary Resolution of the Noteholders of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter an Extraordinary Resolution of the holders of the Class B Notes,

and in any such case, only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.2 *Restrictions on disposal of Issuer's assets*

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of nonpayment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

- (a) a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class, the Class A Couponholders and the Class A Receiptholders after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or
- (b) the Trustee is of the opinion, which shall be binding on the Instrumentholders and the other Secured Parties, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 13.2(b) shall not apply), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes and the Class A Coupons of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; and
- (c) the Trustee shall not be bound to make the determination contained in Condition 13.2(b) unless it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.3 *Third Party Rights*

Save as provided in Condition 14.2 (*Failure by Trustee to act*), no person shall have any right to enforce any Condition or any provision of the Trust Documents under the Contracts (*Rights of Third Parties*) Act 1999.

14. **No action by Instrumentholders or any other Secured Party**

14.1 *No action*

Only the Trustee may pursue the remedies available under general law or under the Trust Documents to enforce the Security and no Instrumentholder or other Secured Party shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Instrumentholders or any other Secured Party (nor any person on its or their behalf), other than the Trustee, are entitled, until the Final Discharge Date:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Instrumentholders; or
- (c) to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or
- (d) to take any steps or join in the taking of steps which would result in the Payments Priorities not being observed.

14.2 *Failure by Trustee to act*

If the Trustee having become bound to do so fails:

- (a) to deliver an Enforcement Notice or take such action as provided in Condition 13.1; and/or
- (b) to take any steps to enforce the Security in accordance with Clause 13 (Enforcement) of the Security Deed,

within a reasonable time and such failure is continuing any Instrumentholder or other Secured Party shall be entitled to take any such steps as it shall deem necessary or desirable including steps for the appointment of a Successor Trustee (but not including initiating or joining in the initiating of Insolvency Proceedings).

15. **Meetings of Noteholders**

15.1 *Convening*

The Trust Deed contains "Provisions for Meetings of Noteholders" for convening separate or combined meetings of Noteholders of any class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Documents, which modification may be made if sanctioned by an Extraordinary Resolution.

15.2 *Separate and combined meetings*

The Trust Deed provides that:

- (a) an Extraordinary Resolution which, in the opinion of the Trustee, affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;
- (b) an Extraordinary Resolution which, in the opinion of the Trustee, affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes as the Trustee shall determine in its absolute discretion; and
- (c) an Extraordinary Resolution which, in the opinion of the Trustee, affects the Noteholders of more than one class and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class,

provided that an Extraordinary Resolution relating to a Reserved Matter must be proposed to each class of Noteholders at a separate meeting thereof.

15.3 *Request from Noteholders*

A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that class.

15.4 *Quorum*

The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class or classes of the Notes will be two or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, two or more persons being or representing Noteholders of that class or those classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such class or classes; and

- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be two or more persons holding or representing in the aggregate not less than 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or in the alternative, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 33 1/3 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class,

provided that while all the outstanding Notes of any Class are represented by a Temporary Global Note and/or a Permanent Global Note, a single Voter appointed in relation thereto or being the holder of the Notes thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

15.5 *Relationship between Classes*

In relation to each class of Notes:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class); and
- (c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and upon all Class A Couponholders of such class or classes and Receiptholders of such class or classes and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Class A Notes duly convened and held as aforesaid shall also be binding upon the holders of the Class B Notes and the holders of the Class A Coupons and Class A Receipts.

15.6 *Resolutions in writing*

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

16. **Modification and Waiver**

16.1 *Modification and waiver*

The Trustee may at any time and from time to time, without the consent or sanction of the Instrumentholders or any of the other Secured Parties, concur with the Issuer and any other relevant parties in:

- (a) making any modification to, or consenting to the waiver or authorisation of, any breach or proposed breach of, these Conditions (other than in relation to an Event of Default or a Potential Event of Default (in respect of which the following paragraph shall apply)), the Trust Documents, the Notes or the other Primary Transaction Documents in relation to which its consent is required which, in the opinion of the Trustee (a) does not relate to a Reserved Matter, (b) it may be proper to make, and (c) will not be materially prejudicial to the interests of the holders of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter the holders of the Class B Notes; or
- (b) making any modification to these Conditions, the Trust Documents or the other Primary Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature, is made to correct a manifest error or is necessary or desirable for the purposes of clarification.

The Trustee may also, without the consent of the Instrumentholders of any class or any Secured Party, waive or authorise any Event of Default or Potential Event of Default, or determine that an Event of Default or Potential Event of Default will not, subject to specified conditions, be treated as such, **provided always that** the Trustee shall not agree to any such authorisation, waiver or determination which would result in the downgrade or withdrawal of the then current ratings assigned by Fitch to any of the Notes (as confirmed in writing to the Trustee by Fitch) without the prior written consent of Fitch or the sanction of an Extraordinary Resolution of the Noteholders of the class of Notes which would be subject to such downgrade or withdrawal.

16.2 *Restriction on power to waive*

The Trustee shall not exercise any powers conferred upon it by Condition 16.1 (*Modification and waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Class A Notes for so long as they remain outstanding and thereafter an Extraordinary Resolution of the holders of the Class B Notes, or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes for so long as any Class A Notes remain outstanding, and thereafter the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Reserved Matters.

16.3 *Notification*

Unless the Trustee otherwise agrees in writing, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders in accordance with the Notices Condition, as soon as practicable after it has been made.

16.4 *Binding Nature*

Any authorisation, waiver, determination or modification referred to in Condition 16.1 (*Modification and waiver*) shall be binding on the Instrumentholders and the other Secured Parties.

16.5 *Assumption of the Trustee*

The Trustee shall be entitled to assume without further enquiry, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions, the Trust Documents, the Notes or the other Primary Transaction Documents that such exercise will not be materially prejudicial to the interests of the Noteholders or, if applicable, any class thereof or any Secured Party if Fitch has provided written confirmation that the then current ratings of the Notes or, as the case may be, the Notes of such class will not be qualified, downgraded or withdrawn as a result by such exercise. The Issuer undertakes that it will use its reasonable efforts to procure that Fitch delivers to the Trustee any notice from Fitch in respect of such matter.

17. **Prescription**

17.1 *Principal*

Claims for principal in respect of Notes shall become void unless the relevant Notes (and, in the case of any Note Principal Payment which became due on a Payment Date, the relevant Class A Receipts) are presented for payment and surrendered within 10 years of the appropriate Relevant Date.

17.2 *Interest*

Claims for interest in respect of Notes, shall become void unless the relevant Class A Coupons are presented for payment and surrendered within five years of the appropriate Relevant Date.

18. **Replacement of Instruments**

If any Instrument is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent or Registrar (as the case may be), 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 Instruments must be surrendered before replacements will be issued.

19. **Trustee and Agents**

19.1 *Trustee's right to Indemnity*

Under the Primary Transaction Documents, each of the Trustee and the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances, including relief from the taking of enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction, and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, each of the Trustee and the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

19.2 *Trustee not responsible for loss or for monitoring*

The Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Security. The Trust Deed also relieves the Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Security Deed. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any other person whether or not on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Primary Transaction Documents.

19.3 *Regard to classes of Noteholders*

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:

- (a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Instrumentholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) where there is a conflict between the interests of Noteholders of different classes, have regard only to the interests of the holders of the Class A Notes which are involved in such conflict and will not have regard to the interests of the holders of any lower ranking class of Notes nor to the interests of the other Secured Parties except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

19.4 *Agents solely agents of Issuer*

In acting under the Paying Agency Agreement and in connection with the Instruments, the Paying Agents and the Registrar act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Instrumentholders.

19.5 *Initial Paying Agents and Registrar*

The initial Paying Agents' and Registrar's initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank or

registrar and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.

19.6 *Maintenance of Agents*

The Issuer shall at all times maintain a Paying Agent, Registrar, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders in accordance with the Notices Condition.

20. **Substitution of Issuer**

20.1 *Substitution of Issuer*

The Trustee may, without the consent of the Instrumentholders or any other Secured Party, subject to:

- (a) the consent of the Issuer and the Liquidity Facility Provider; and
- (b) such further conditions as are specified in the Trust Deed (including Fitch confirming that the then current ratings of the Notes will not be downgraded, qualified or withdrawn) or as the Trustee may require,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Notes and the Secured Amounts.

20.2 *Notice of Substitution of Issuer*

Not later than 14 days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Parties in accordance with the Notices Condition and the other relevant Primary Transaction Documents.

20.3 *Change of Law*

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Instrumentholders or the other Secured Parties (but with the consent of the Liquidity Facility Provider), to a change of the law governing the Instruments and/or any of the Primary Transaction Documents **provided that** such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of holders of all the classes of Notes.

20.4 *No indemnity*

No Instrumentholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Instrumentholders.

21. **Notices**

21.1 *Valid Notices*

- (a) Any notice to Class A Noteholders shall be validly given if such notice is:
 - (i) published in the Financial Times or, if such newspaper ceases to be published or timely publication therein is not practicable, in such English language newspaper or newspapers as the Trustee approves in writing having a general circulation in Europe; or
 - (ii) published on the Relevant Screen.
- (b) Any notice to Class B Noteholders will be valid if delivered by mail, courier, email or facsimile to them at their respective addresses recorded in the Register.

21.2 *Date of publication*

Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen.

21.3 *Other Methods*

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the 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.

21.4 *Class A Couponholders and Class A Receiptholders deemed to have notice*

The Class A Couponholders and Class A Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the Class A Noteholders in accordance with this Condition.

22. **Redenomination, Renominalisation and Reconventioning**

22.1 *Notice of Redenomination:* If the United Kingdom becomes, or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Trustee, Noteholders or Class A Couponholders, on giving at least 30 days' prior notice to the Noteholders, the Trustee and the Paying Agents, designate a Payment Date as the Redenomination Date.

22.2 *Redenomination:* Notwithstanding the other provisions of these Conditions with effect from the Redenomination Date:

- (a) the Notes in each class shall be deemed to be redenominated into euro in the denomination of euro 0.01 with the Principal Amount Outstanding of each Note in each class being equal to the Principal Amount Outstanding of that Note in such class in Sterling, converted into euro at the rate for conversion of Sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); and
- (b) notwithstanding Condition 22.2(a), if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and the Class A Couponholders, the Stock Exchange and the Paying Agents of such deemed amendments in accordance with the Notices Condition.

22.3 *Notice of Redenomination Date:* The Issuer will notify the Noteholders and Class A Couponholders of the intended Redenomination Date in accordance with the Notices Condition.

22.4 *Effect of Redenomination:* With effect from the Redenomination Date:

- (a) if Class A Definitive Notes have been issued by the Issuer, all unmatured Class A Coupons denominated in Sterling (whether or not attached to the Class A Notes) will become void and no payments will be made in respect of such Class A Coupons;
- (b) the payment obligations contained in all Class A Definitive Notes denominated in Sterling will become void but all other obligations of the Issuer thereunder (including the obligation to exchange such Class A Notes in accordance with this Condition) shall remain in full force and effect;
- (c) if Class A Definitive Notes have been issued by the Issuer, new Class A Notes and Class A Coupons denominated in euro will be issued in exchange for Class A Notes and Class

A Coupons denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in accordance with the Notices Condition; and

- (d) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Participating Member State.

23. **Governing Law and Jurisdiction**

23.1 *Governing law*

The Trust Documents and the Notes are governed by, and shall be construed in accordance with, English law (except for any Scottish Supplemental Charge or Issuer Security Trust Assignment which shall be governed by and construed in accordance with Scots law).

23.2 *Jurisdiction*

The Courts of England are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Instruments and the Primary Transaction Documents (except for any Scottish Declaration of Trust, Scottish Supplemental Charge or Issuer Security Trust Assignment which are subject to the non-exclusive jurisdiction of the Courts of Scotland) and accordingly any legal action or proceedings arising out of or in connection with the Instruments and/or the Primary Transaction Documents may be brought in such Courts. The Issuer has in each of the Primary Transaction Documents irrevocably submitted to the jurisdiction of such Courts.

UK TAXATION

The following is a summary of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes.

The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(A) UK Withholding Tax on UK Source Interest

UK Notes listed on a recognised stock exchange

The Notes issued by the Issuer which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of UK income tax. Securities will be regarded as listed on a recognised stock exchange for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by H.M. Revenue & Customs 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.

H.M. Revenue & Customs have confirmed that the Stock Exchange is a recognised stock exchange and the Issuer's understanding of current H.M. Revenue & Customs practice is that Notes which are officially listed and admitted to trading on the Stock Exchange may be regarded as listed on a recognised stock exchange for these purposes.

All UK Notes

Noteholders should note that the Class B Notes will not be listed.

In that case and in all other cases falling outside the exemption described above, interest on the UK Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20%) subject to such relief as may be available, including under the provisions of any applicable double taxation treaty.

(B) Provision of Information

Noteholders 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 H.M. Revenue & 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 UK income tax and whether or not the Noteholder is resident in the United Kingdom for UK taxation purposes. In certain circumstances, the details provided to H.M. Revenue & Customs may be passed by H.M. Revenue & Customs to the tax authorities of certain other jurisdictions.

With effect from 6 April 2009, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

(C) EU Savings Directive (2003/48/EC)

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 its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any payment agent nor any other person would be obliged to pay additional amounts to Noteholders or to otherwise compensate Noteholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the directive (if such a state exists).

(D) Other Rules Relating to UK Withholding Tax

Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element of any such Notes will not be subject to any UK withholding tax pursuant to the provisions mentioned in (A) above, but may be subject to the reporting requirements as outlined above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK 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.

References to "**interest**" above mean "interest" as understood in UK tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 20 (*Substitution of Issuer*) of the Notes and does not consider the tax consequences of any such substitution.

SUBSCRIPTION AND SALE

Rabobank International (the "**Manager**") has entered into a subscription agreement dated 23 October 2008 (the "**Subscription Agreement**"), between the Manager, the Issuer and the Originator pursuant to which the Manager agreed, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the principal amount of such Notes and the Class B Notes at 100 per cent. of the principal amount of such Notes. The Manager has agreed to sell, and N M& Rothschild & Sons Limited has agreed to purchase, the Notes from the Manager at a price equal to the issue price of 100 per cent. of their principal amount.

The Issuer will pay to the Manager a combined management, selling and underwriting commission in respect of the Notes. The Issuer has agreed to reimburse the Manager for certain of its expenses in connection with the issue of the Notes. The Issuer has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Notes.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Manager in certain circumstances prior to payment to the Issuer.

United States of America

The Manager has represented and agreed with the Issuer that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. The Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 41 days after the later of the commencement of the offering of the Notes and the Closing Date within the United States or to, or for the account or benefit of, U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

In addition, 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

United Kingdom

The Manager has further represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("**FSMA**"), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) 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 or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

General

Except for admitting the Class A Notes to the Euronext Amsterdam, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes, in any jurisdiction where action for that purpose is required. This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Manager has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 24 October 2008. The Notes will be issued at 100 per cent. of their respective Principal Amount Outstanding.
2. It is expected that admission of the Class A Notes to Euronext Amsterdam will be granted on or about 24 October 2008, subject only to the issue of the Global Notes. The listing of the Class A Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the day of the transaction.
3. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	<u>CommonCode</u>	<u>ISIN</u>
Class A.....	038892410	XS0388924101

4. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Class A Notes are listed on Euronext Amsterdam, the most recently published audited annual accounts of the Issuer from time to time will be available at the registered office of the Issuer as well as at the specified offices of the Paying Agent in Amsterdam. The Issuer does not publish interim accounts.
5. The Issuer is not, and has not been, involved in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware and the Issuer is not aware of any other such proceedings whether or not the Issuer is itself involved) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position and profitability.
6. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
7. Since 20 June 2008 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.
8. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of Clifford Chance at 10 Upper Bank, London E14 5JJ, at the registered office of the Issuer at 7 Albemarle Street, London W1S 4HQ and at the specified offices of the Paying Agent:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Subscription Agreement; and
 - (c) drafts (subject to modification) of the following documents:
 - (i) the Mortgage Sale Agreement;
 - (ii) the Servicing Agreement;
 - (iii) the Trust Deed;
 - (iv) the Security Deed;
 - (v) the GIC Agreement;
 - (vi) the Account Bank Agreements;
 - (vii) the Swap Agreement;

- (viii) the Corporate Services Agreement;
- (ix) the Liquidity Facility Agreement;
- (x) the Paying Agency Agreement;
- (xi) the Post-Enforcement Call Option Agreement;
- (xii) the Incorporated Terms Memorandum; and
- (xiii) the Expenses Loan Agreement.

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