

## MOUND FINANCING (NO. 4) PLC

(Incorporated in England and Wales with limited liability, registered number 5551161)

**USD 750,000,000 Series 1 Class A Asset Backed Floating Rate Notes due November 2006**  
**USD 34,200,000 Series 1 Class B Asset Backed Floating Rate Notes due February 2042**  
**USD 31,800,000 Series 1 Class C Asset Backed Floating Rate Notes due February 2042**  
**USD 850,000,000 Series 2 Class A Asset Backed Floating Rate Notes due August 2013**  
**USD 38,900,000 Series 2 Class B Asset Backed Floating Rate Notes due February 2042**  
**USD 36,100,000 Series 2 Class C Asset Backed Floating Rate Notes due February 2042**  
**EUR 750,000,000 Series 3 Class A Asset Backed Floating Rate Notes due November 2032**  
**EUR 34,300,000 Series 3 Class B Asset Backed Floating Rate Notes due February 2042**  
**EUR 31,800,000 Series 3 Class C Asset Backed Floating Rate Notes due February 2042**  
**GBP 400,000,000 Series 4 Class A Asset Backed Floating Rates Notes due November 2032**  
**GBP 29,200,000 Series 4 Class B Asset Backed Floating Rate Notes due February 2042**  
**GBP 27,800,000 Series 4 Class C Asset Backed Floating Rate Notes due February 2042**  
**GBP 250,000,000 Series 5 Class A Asset Backed Floating Rate Notes due November 2032**

	Series 1 Class A	Series 1 Class B	Series 1 Class C	Series 2 Class A	Series 2 Class B	Series 2 Class C	Series 3 Class A
Principal Amount:	\$750,000,000	\$34,200,000	\$31,800,000	\$850,000,000	\$38,900,000	\$36,100,000	€750,000,000
Issue Price:	100%	100%	100%	100%	100%	100%	100%
Interest Rate:	One-month USD-LIBOR - Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin	Three-month EURIBOR + Margin
Margin until Interest Period ending in November 2012:	0.04% p.a.	0.15% p.a.	0.46% p.a.	0.06% p.a.	0.20% p.a.	0.58% p.a.	0.12% p.a.
Margin after Interest Period ending in November 2012:	N/A	0.30% p.a.	0.92% p.a.	0.12% p.a.	0.40% p.a.	1.16% p.a.	0.24% p.a.
Interest Payment Dates:	Monthly in arrear on the Interest Payment Date falling in each consecutive month November 2006	Quarterly in arrear on the Interest Payment Dates in February, May, August and November in each year.					
Final Maturity Date:	November 2006	February 2042	February 2042	August 2013	February 2042	February 2042	November 2032
Expected Ratings (Moody's/ S&P/Fitch):	P-1/A-1+/F1+	Aa3/AA/AA	Baa2/BBB/BBB	Aaa/AAA/AAA	Aa3/AA/AA	Baa2/BBB/BBB	Aaa/AAA/AAA

	Series 3 Class B	Series 3 Class C	Series 4 Class A	Series 4 Class B	Series 4 Class C	Series 5 Class A
Principal Amount:	€34,300,000	€31,800,000	£400,000,000	£29,200,000	£27,800,000	£250,000,000
Issue Price:	100%	100%	100%	100%	100%	100%
Interest Rate:	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin + Additional Amount
Margin until Interest Period ending in November 2012:	0.20% p.a.	0.63% p.a.	0.12% p.a.	0.21% p.a.	0.64% p.a.	0.135% p.a.
Margin after Interest Period ending in November 2012:	0.40% p.a.	1.26% p.a.	0.24% p.a.	0.42% p.a.	1.28% p.a.	0.27% p.a.
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates in February, May, August and November in each year.					
Final Maturity Date:	February 2042	February 2042	November 2032	February 2042	February 2042	November 2032
Expected Ratings (Moody's/ S&P/Fitch):	Aa3/AA/AA	Baa2/BBB/BBB	Aaa/AAA/AAA	Aa3/AA/AA	Baa2/BBB/BBB	Aaa/AAA/AAA

On 19th October, 2005 or such later date as the Issuer and the Joint Lead Managers may agree (the **Issue Date**), the Issuer will issue the Series 1 Class A Notes, the Series 1 Class B Notes, the Series 1 Class C Notes (together, the **Series 1 Notes**), the Series 2 Class A Notes, the Series 2 Class B Notes, the Series 2 Class C Notes (together, the **Series 2 Notes**), and, together with the Series 1 Notes, the **USD Notes**, the Series 3 Class A Notes, the Series 3 Class B Notes, the Series 3 Class C Notes (together, the **Series 3 Notes**) and the **Euro Notes**, the Series 4 Class A Notes, the Series 4 Class B Notes, the Series 4 Class C Notes (together, the **Series 4 Notes**) and the Series 5 Class A Notes (also defined as the **Series 5 Notes**) and, together with the Series 4 Notes, the **Sterling Notes** and, the Series 5 Notes together with the Series 1 Notes, the Series 2 Notes, the Series 3 Notes and the Series 4 Notes, the **Notes**) and on-lend the sterling equivalent of the gross proceeds thereof to Mound Funding Limited (**Funding**) pursuant to an Issuer Intercompany Loan Agreement (as defined below and as more fully described in this Offering Circular) (the **Issuer Intercompany Loan**). The ability of the Issuer to pay interest and principal on the Notes depends primarily on the receipt of interest and principal amounts from Funding under the Issuer Intercompany Loan.

On 2nd May, 2000 (the **Set-up Date**), Mound Financing (No. 1) PLC (the **First Issuer**) on-lent £750,000,000 from the issue of notes (the **First Issuer Previous Notes**) representing the **First Issue** to Funding pursuant to an intercompany loan agreement (the **First Issuer Intercompany Loan Agreement**). On 1st February, 2001, Mound Financing (No. 2) PLC (the **Second Issuer**), on-lent £750,000,000 from the issue of notes (the **Second Issuer Previous Notes**) representing the **Second Issue** to Funding pursuant to an intercompany loan agreement (the **Second Issuer Intercompany Loan Agreement**). On 2nd June, 2003, Mound Financing (No. 3) PLC (the **Third Issuer**) and, together with the First Issuer and the Second Issuer, the **Previous Issuers** on-lent £2,260,960,629 from the issue of notes (the **Third Issuer Previous Notes**) and, together with the First Issuer Previous Notes and the Second Issuer Previous Notes, the **Previous Notes**, representing the **Third Issue** and, together with the First Issue and the Second Issue, the **Previous Issues** to Funding pursuant to an intercompany loan agreement (the **Third Issuer Intercompany Loan Agreement**) and, together with the First Issuer Intercompany Loan Agreement and the Second Issuer Intercompany Loan Agreement, the **Previous Intercompany Loan Agreements**). The Transaction Documents (as defined below) allow for the establishment of new issuers (each a **New Issuer**) which will issue notes and on-lend the sterling equivalent of the gross proceeds to Funding pursuant to new intercompany loan agreements. The obligations of Funding to pay principal and interest to the Issuer on the Issuer Intercompany Loan will rank either *pari passu* with, ahead of, or after the obligations of Funding to pay principal and interest to the Previous Issuers and any New Issuer on the related intercompany loans, depending on certain rules as described more fully in this Offering Circular. The Issuer, the Previous Issuers and any New Issuer (together, the **Relevant Issuers**) will share the benefit of the Funding Security (as defined below) granted by Funding to secure its obligations under, *inter alia*, the Previous Intercompany Loan Agreements, the Issuer Intercompany Loan Agreement and any new intercompany loan agreement.

Application has been made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. This Offering Circular comprises a prospectus for the purposes of EU Directive 2003/71/EC (the **Prospectus Directive**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. **The Notes are highly structured. Before you purchase any Notes, be sure that you understand the structure and the risks (see the section herein entitled Risk Factors).**

Sole Arranger



Joint Bookrunners for the Class A Notes

Citigroup

Deutsche Bank

Lehman Brothers

Co-Managers for the Class A Notes

Credit Suisse First Boston

IXIS Corporate & Investment Bank

SG Corporate  
& Investment Banking

Joint Lead Managers for the Class B Notes and the Class C Notes

Citigroup

Deutsche Bank

The date of this Offering Circular is 14th October, 2005

## SUMMARY

The following, and the information contained in Transaction Overview below, is a summary of the principal features of the Notes, the Loans and their Related Security, and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular.

**You should read the entire Offering Circular carefully, especially the risks of investing in the Notes discussed under Risk Factors.**

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

### The Parties

- Issuer:** Mound Financing (No. 4) PLC is a public limited company incorporated under the laws of England and Wales with registered number 5551161 (the **Issuer**). The Issuer is a wholly owned subsidiary of Holdings. The Issuer was established, *inter alia*, to issue the Notes and to on-lend an amount equal to the sterling equivalent of the gross proceeds of such issue to Funding pursuant to the terms of the Issuer Intercompany Loan Agreement.
- Holdings:** Mound Holdings Limited is a private limited company incorporated under the laws of England and Wales with registered number 3835697 (**Holdings**). The issued share capital of Holdings is held by a trustee (the **Share Trustee**) under the terms of a discretionary trust for charitable purposes.
- Mortgages Trustee:** Mound Trustees Limited is a private limited company incorporated under the laws of England and Wales with registered number 3835709 (the **Mortgages Trustee**) and is a wholly owned subsidiary of Holdings.
- Funding:** Mound Funding Limited is a private limited company incorporated under the laws of England and Wales with registered number 3835703 (**Funding**) and is a wholly owned subsidiary of Holdings. Funding was established, *inter alia*, to acquire an undivided beneficial interest in the Trust Property pursuant to the Mortgages Trust Deed and to make drawings under the Intercompany Loan Agreements, as more fully described below.
- Seller:** The Governor and Company of the Bank of Scotland was established by an Act of the Parliament of Scotland in 1695 and has its head office at The Mound, Edinburgh EH1 1YZ (**Bank of Scotland** or the **Seller**).
- Administrator:** Bank of Scotland (in such capacity, the **Administrator**) entered into an administration agreement with the Mortgages Trustee, the Security Trustee and Funding on the Set-up Date (as amended and to be further amended on or about the Issue Date, the **Administration Agreement**).
- Cash Manager:** Bank of Scotland (in such capacity, the **Cash Manager**) entered into a cash management agreement with the Mortgages Trustee, the Seller (in its capacity as seller of the Loans), Funding and the Security Trustee on the Set-up Date (as amended and to be further amended on or about the Issue Date, the **Cash Management Agreement**). The Cash Manager acts as agent for each of the Mortgages Trustee and Funding, *inter alia*, to manage all cash transactions and maintain certain ledgers on behalf of each of the Mortgages Trustee and Funding.

<b>Issuer Cash Manager:</b>	Bank of Scotland (in such capacity, the <b>Issuer Cash Manager</b> ) will enter into a cash management agreement with the Issuer and the Security Trustee (the <b>Issuer Cash Management Agreement</b> ) pursuant to which the Issuer Cash Manager will manage all cash transactions and maintain certain ledgers on behalf of the Issuer.
<b>Note Trustee:</b>	JPMorgan Chase Bank, N.A., acting through its London Branch at Trinity Tower, 9 Thomas More Street, London E1W 1YT (in such capacity, the <b>Note Trustee</b> ) will be appointed pursuant to a trust deed (the <b>Trust Deed</b> ) to be entered into on the Issue Date between the Issuer and the Note Trustee to represent, <i>inter alia</i> , the interests of the holders of the Notes (the <b>Noteholders</b> ).
<b>Security Trustee:</b>	JPMorgan Chase Bank, N.A., acting through its London Branch at Trinity Tower, 9 Thomas More Street, London E1W 1YT (in such capacity, the <b>Security Trustee</b> ) will hold the benefit of the security granted by the Issuer under the Issuer Deed of Charge and will be entitled to enforce the security granted in its favour under the Issuer Deed of Charge. The Security Trustee also holds the security granted under the Funding Deed of Charge and is entitled to enforce the security granted in its favour under the Funding Deed of Charge.
<b>Issuer Currency Swap Providers:</b>	On or about the Issue Date, IXIS Corporate & Investment Bank (in such capacity, the <b>Issuer Dollar Currency Swap Provider</b> ) and ABN AMRO Bank N.V. (in such capacity, the <b>Issuer Euro Currency Swap Provider</b> and together with the Issuer Dollar Currency Swap Provider, the <b>Issuer Currency Swap Providers</b> ) will each enter into, as applicable, an ISDA Master Agreement (including a schedule and a confirmation) in respect of each class of Series 1 Notes, Series 2 Notes and Series 3 Notes (each an <b>Issuer Currency Swap Agreement</b> and, together the <b>Issuer Currency Swap Agreements</b> ), each of which will govern a currency swap in respect of each class of Series 1 Notes, Series 2 Notes and Series 3 Notes (each an <b>Issuer Currency Swap</b> and, together, the <b>Issuer Currency Swaps</b> ), with the Issuer and the Security Trustee.
<b>Funding Swap Provider:</b>	Bank of Scotland (in such capacity, the <b>Funding Swap Provider</b> ), entered into an interest rate swap (the <b>Funding Swap</b> ) on 1st February, 2001 (to be amended on or about the Issue Date) with Funding and the Security Trustee under an ISDA Master Agreement (including a schedule and a confirmation) (the <b>Funding Swap Agreement</b> ).
<b>Mortgages Trustee GIC Provider:</b>	Bank of Scotland (in such capacity, the <b>Mortgages Trustee GIC Provider</b> ) entered into a guaranteed investment contract on the Set-up Date (as amended on 27th December, 2001) with the Mortgages Trustee (the <b>Mortgages Trustee Guaranteed Investment Contract</b> ) in relation to one of the bank accounts of the Mortgages Trustee (the <b>Mortgages Trustee GIC Account</b> ).
<b>MSPB Mortgages Trustee GIC Provider:</b>	The short term unguaranteed, unsubordinated and unsecured debt obligations of the Mortgages Trustee GIC Provider are currently rated P-1 by Moody's, F1+ by Fitch and A-1+ by Standard & Poor's.
<b>MSPB Mortgages Trustee GIC Provider:</b>	Bank of Scotland (in such capacity, the <b>MSPB Mortgages Trustee GIC Provider</b> ) entered into a guaranteed investment contract on 18th May, 2005 with the Mortgages Trustee (the <b>MSPB Mortgages Trustee Guaranteed Investment Contract</b> ) in relation to one of the

bank accounts of the Mortgages Trustee (the MSPB Mortgages Trustee GIC Account).

The short term unguaranteed, unsubordinated and unsecured debt obligations of the MSPB Mortgages Trustee GIC Provider are currently rated P-1 by Moody's, F1+ by Fitch and A-1+ by Standard & Poor's.

**Funding GIC Provider:**

Bank of Scotland (in such capacity, the **Funding GIC Provider**) entered into a guaranteed investment contract on the Set-up Date (as amended and restated on 27th December, 2001) with Funding (the **Funding Guaranteed Investment Contract**) in relation to a bank account of Funding and the Security Trustee (the **Funding GIC Account**).

The short term unsecured, unguaranteed and unsubordinated debt obligations of the Funding GIC Provider are currently rated P-1 by Moody's, F1+ by Fitch and A-1+ by Standard & Poor's.

**Account Bank:**

Bank of Scotland has been appointed as account bank (in such capacity, the **Account Bank**) to the Mortgages Trustee and Funding pursuant to the terms of a bank account agreement entered into by, *inter alios*, the Account Bank, the Mortgages Trustee and Funding on the Set-up Date (as amended) (the **Bank Account Agreement**).

**Issuer Account Bank:**

Bank of Scotland will be appointed as account bank (in such capacity, the **Issuer Account Bank**) to the Issuer pursuant to the terms of a bank account agreement to be entered into by the Issuer Cash Manager, the Issuer Account Bank, the Issuer and the Security Trustee on or about the Issue Date (the **Issuer Bank Account Agreement**).

**Current Start-up Loan Provider:**

Bank of Scotland will act as start-up loan provider to Funding (in such capacity, the **Current Start-up Loan Provider**) pursuant to the Current Start-up Loan Agreement. Bank of Scotland is also the start-up loan provider under the previous start-up loan agreements entered into on the Set-up Date, 1st February, 2001 and 2nd June, 2003 (the **Previous Start-up Loan Provider** and the **Previous Start-up Loan Agreements** respectively). The Previous Start-up Loan Provider and the Current Start-up Loan Provider are together referred to in this Offering Circular as the **Start-up Loan Providers** and the Previous Start-up Loan Agreements and the Current Start-up Loan Agreement are together referred to in this Offering Circular as the **Start-up Loan Agreements**.

**Issuer Corporate Services Provider:**

SPV Management Limited, having its registered office at Level 11, Tower 42, 25 Old Broad Street, London EC2N 1HQ (in such capacity, the **Issuer Corporate Services Provider**) will be appointed to provide certain corporate services to the Issuer pursuant to a corporate services agreement (the **Issuer Corporate Services Agreement**) to be entered into on or about the Issue Date by, *inter alios*, the Issuer and the Issuer Corporate Services Provider.

**Corporate Services Provider:**

SPV Management Limited (in such capacity, the **Corporate Services Provider**) provides certain corporate services to each of Funding, the Mortgages Trustee and Holdings, pursuant to a corporate services agreement (the **Corporate Services Agreement**) entered into on the Set-up Date and to be amended on or about the Issue

Date by, *inter alios*, Funding, the Mortgages Trustee, Holdings and the Corporate Services Provider and provides certain corporate services to each of the Post-Enforcement Call Option Holder and PECO Holdings pursuant to a corporate services agreement (the **PECOH Corporate Services Agreement**) to be entered into on or about the Issue Date by, *inter alios*, the Post-Enforcement Call Option Holder, PECO Holdings and the Corporate Services Provider.

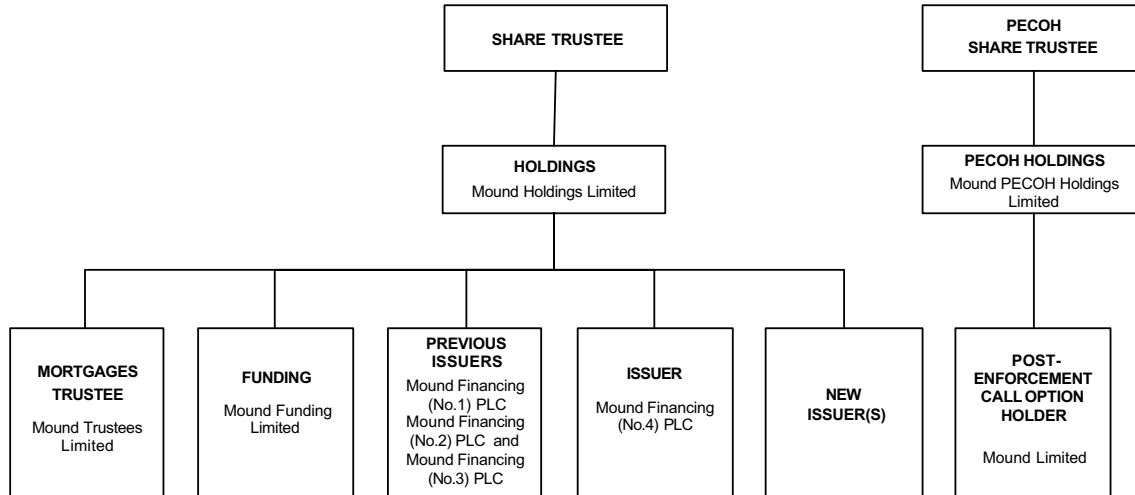
**Post-Enforcement Call  
Option Holder:**

Mound Limited (the **Post-Enforcement Call Option Holder**) is a private limited company incorporated under the laws of England and Wales with registered number 3867710 and is a wholly owned subsidiary of PECO Holdings. The Post-Enforcement Call Option Holder will enter into the Post-Enforcement Call Option Agreement.

**PECOH Holdings:**

Mound PECO Holdings Limited is a private limited company incorporated under the laws of England and Wales with registered number 5551181 (**PECOH Holdings**). The issued share capital of PECO Holdings is held by the trustee (the **PECOH Share Trustee**) under the terms of a discretionary trust for charitable purposes.

## Ownership Structure

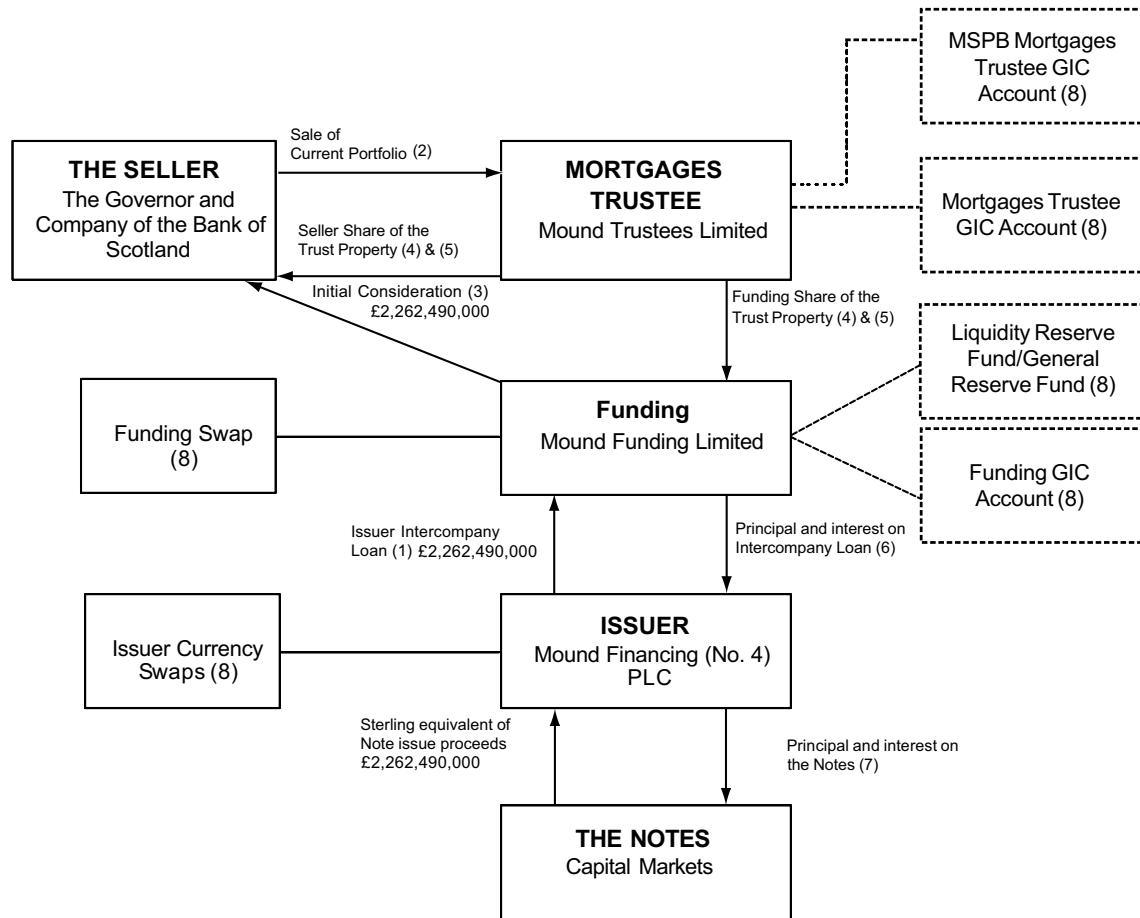


**Figure 1 – Ownership Structure**

Figure 1 illustrates the ownership structure of the principal parties to the transaction, as follows:

- Each of the Mortgages Trustee, Funding, the Issuer and the Previous Issuers is a wholly owned subsidiary of Holdings. Any New Issuer established after the Issue Date will be a wholly owned subsidiary of Holdings.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- The Previous Issuers are Mound Financing (No. 1) PLC, Mound Financing (No. 2) PLC and Mound Financing (No. 3) PLC, each of which is a wholly owned subsidiary of Holdings. Each of the Previous Issuers issued notes to investors and on-lent the sterling equivalent of the gross proceeds of those issues to Funding pursuant to intercompany loan agreements in separate transactions on 2nd May, 2000, 1st February, 2001 and 2nd June, 2003. As the Issuer and the Previous Issuers will share in the security granted by Funding for its respective obligations to them under their respective Intercompany Loans, the Notes offered pursuant to this Offering Circular by the Issuer effectively rank behind, equally or ahead of the Previous Notes.
- The Post-Enforcement Call Option Holder is a wholly owned subsidiary of PECOH Holdings.
- The entire issued share capital of PECOH Holdings is held on trust by the PECOH Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- None of the Mortgages Trustee, Funding, the Issuer, the Previous Issuers, the Post-Enforcement Call Option Holder, Holdings, PECOH Holdings, the Share Trustee, the PECOH Share Trustee or any of their directors (except for one director of each of the Mortgages Trustee, Funding, the Issuer, the Previous Issuers, the Post-Enforcement Call Option Holder, Holdings and PECOH Holdings) or employees are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by Bank of Scotland or any member of the group of companies containing Bank of Scotland.

## Transaction Overview



**Figure 2 – Current Transaction Structure**

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

- (1) The Issuer will on-lend the gross proceeds of the issue of the Notes to Funding pursuant to the Issuer Intercompany Loan Agreement, after converting the same into sterling under the Issuer Currency Swaps, where applicable.
- (2) The Seller will sell the Current Portfolio (comprising the Current Loans, their Current Related Security and all amounts derived therefrom) to the Mortgages Trustee.
- (3) Funding will use the proceeds of the Issuer Intercompany Loan to pay the Initial Consideration of £2,262,490,000 to the Seller. At a later date, Funding will pay Deferred Consideration in respect thereof to the Seller.
- (4) The Mortgages Trustee will hold the Trust Property (being, on the Issue Date, the Previous Portfolio (less any redeemed or repurchased Loans) and the Current Portfolio) on bare trust for the benefit of the Seller and Funding.
- (5) The Mortgages Trustee will distribute (subject as described in this Offering Circular) Revenue Receipts and allocate Losses in relation to the Loans in accordance with the Funding Share Percentage and the Seller Share Percentage, respectively, of the Trust Property. The Mortgages Trustee will distribute Principal Receipts in relation to the Loans to Funding and the Seller in accordance with Funding's repayment obligations under the Intercompany Loans and in accordance with the Funding Share Percentage of the Trust Property. The Seller Share Percentage and the Funding Share Percentage may fluctuate as described below.

- (6) Funding will use amounts received from its interest in the Trust Property to meet its obligations to pay interest and principal due to the Issuer and the Previous Issuers under their respective Intercompany Loan Agreements.
- (7) The Issuer's obligations to pay principal and interest on the Notes will be met primarily from the payments of principal and interest received from Funding under the Issuer Intercompany Loan. For the avoidance of doubt, neither the Issuer nor the Noteholders will have any direct interest in the Trust Property, the Issuer's primary interest being in the Issuer Intercompany Loan Agreement.
- (8) These items and their function in the transaction structure are described later in this Offering Circular. They are included in this diagram to enable prospective investors to refer back to see where they fit into the transaction structure.



## Description of the Notes

### Key Characteristics of the Notes:

	<b>Series 1 Class A</b>	<b>Series 1 Class B</b>	<b>Series 1 Class C</b>
Principal Amount:	\$750,000,000	\$34,200,000	\$31,800,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes and Reserve Funds.	Subordination of the Class C Notes and Reserve Funds.	Reserve Funds.
Interest Rate:	One-month USD-LIBOR – Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin
Margin until Interest Period falling in November 2012:	0.04% p.a.	0.15% p.a.	0.46% p.a.
Margin after Interest Period falling in November 2012:	N/A	0.30% p.a.	0.92% p.a.
Scheduled Redemption Date(s):	November 2006	N/A	N/A
Interest Accrual Method:	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	For the Series 1 Class A Notes, monthly in arrear on the Interest Payment Date falling in each consecutive month. For the other Notes (not including the Series 1 Class A Notes), quarterly in arrear on the Interest Payment Dates falling in February, May, August and November in each year. If a Trigger Event occurs or the Issuer Security is enforced prior to the Interest Payment Date falling in November 2006, interest and principal due and payable on the Series 1 Class A Notes will be payable quarterly in arrear on the Interest Payment Dates falling in February, May, August and November of each year.		
First Interest Payment Date:	November 2005	February 2006	February 2006
Final Maturity Date:	November 2006	February 2042	February 2042
Debt for United States Federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in <i>United States Federal Income Taxation</i> , below.		
ERISA Eligible Investors (investors subject to ERISA) should consult with their counsel:	See the considerations contained in <i>United States ERISA Considerations</i> , below.		
Application for Exchange Listing:	London	London	London
ISIN: 144A Notes	US62052MAA62	US62052MAB46	US62052MAC29
Common Code: 144A Notes	22992953	22993054	22993283
CUSIP Number:	62052MAA6	62052MAB4	62052MAC2
ISIN: Reg S Notes	XS0229397426	XS0229397772	XS0229398150
Common Code: Reg S Notes	22939742	22939777	22939815
Expected Ratings (Moody's/S&P/Fitch):	P-1/A-1+/F1+	Aa3/AA/AA	Baa2/BBB/BBB

	<b>Series 2 Class A</b>	<b>Series 2 Class B</b>	<b>Series 2 Class C</b>
Principal Amount:	\$850,000,000	\$38,900,000	\$36,100,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes and Reserve Funds.	Subordination of the Class C Notes and Reserve Funds.	Reserve Funds.
Interest Rate:	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin	Three-month USD-LIBOR + Margin
Margin until Interest Period falling in November 2012:	0.06% p.a.	0.20% p.a.	0.58% p.a.
Margin after Interest Period falling in November 2012:	0.12% p.a.	0.40% p.a.	1.16% p.a.
Scheduled Redemption Date(s):	August 2008	N/A	N/A
Interest Accrual Method:	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates falling in February, May, August and November of each year.		
First Interest Payment Date:	February 2006	February 2006	February 2006
Final Maturity Date:	August 2013	February 2042	February 2042
Debt for United States Federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in <i>United States Federal Income Taxation</i> , below.		
ERISA Eligible Investors (investors subject to ERISA) should consult with their counsel:	See the considerations contained in <i>United States ERISA Considerations</i> , below.		
Application for Exchange Listing:	London	London	London
ISIN: 144A Notes	US62052MAD02	US62052MAE84	US62052MAF59
Common Code: 144A Notes	22993844	22993984	22994131
CUSIP Number:	62052MAD0	62052MAE8	62052MAF5
ISIN: Reg S Notes	XS0229399042	XS0229399554	XS0229399984
Common Code: Reg S Notes	22939904	22939955	22939998
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aa3/AA/AA	Baa2/BBB/BBB

	<b>Series 3 Class A</b>	<b>Series 3 Class B</b>	<b>Series 3 Class C</b>
Principal Amount:	€750,000,000	€34,300,000	€31,800,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes and Reserve Funds.	Subordination of the Class C Notes and Reserve Funds.	Reserve Funds.
Interest Rate:	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin
Margin until Interest Payment Date falling in November 2012:	0.12% p.a.	0.20% p.a.	0.63% p.a.
Margin after Interest Payment Date falling in November 2012:	0.24% p.a.	0.40% p.a.	1.26% p.a.
Scheduled Redemption Date:	August 2010 and November 2010	N/A	N/A
Interest Accrual Method:	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Date falling in February, May, August and November in each year.		
First Interest Payment Date:	February 2006	February 2006	February 2006
Final Maturity Date:	November 2032	February 2042	February 2042
Debt for United States Federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in <i>United States Federal Income Taxation</i> , below.		
ERISA Eligible Investors (investors subject to ERISA) should consult with their counsel:	See the considerations contained in <i>United States ERISA Considerations</i> , below.		
Application for Exchange Listing:	London	London	London
ISIN: 144A Notes	US62052MAG33	US62052MAH16	US62052MAJ71
Common Code: 144A Notes	22994247	22994298	22994328
CUSIP Number:	62052MAG3	62052MAH1	62052MAJ7
ISIN: Reg S Notes	XS0229402366	XS0229403091	XS0229407084
Common Code: Reg S Notes	22940236	22940309	22940708
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aa3/AA/AA	Baa2/BBB/BBB

	<b>Series 4 Class A</b>	<b>Series 4 Class B</b>	<b>Series 4 Class C</b>
Principal Amount:	£400,000,000	£29,200,000	£27,800,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes and Reserve Funds.	Subordination of the Class C Notes and Reserve Funds.	Reserve Funds.
Interest Rate:	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin
Margin until Interest Payment Date falling in November 2012:	0.12% p.a.	0.21% p.a.	0.64% p.a.
Margin after Interest Payment Date falling in November 2012:	0.24% p.a.	0.42% p.a.	1.28% p.a.
Scheduled Redemption Date:	February 2011 and May 2011	N/A	N/A
Interest Accrual Method:	Actual/365	Actual/365	Actual/365
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Date falling in February, May, August and November in each year.		
First Interest Payment Date:	February 2006	February 2006	February 2006
Final Maturity Date:	November 2032	February 2042	February 2042
Debt for United States Federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in <i>United States Federal Income Taxation</i> , below.		
ERISA Eligible Investors (investors subject to ERISA) should consult with their counsel:	See the considerations contained in <i>United States ERISA Considerations</i> , below.		
Application for Exchange Listing:	London	London	London
ISIN: 144A Notes	US62052MAK45	US62052MAN83	US62052MAQ15
Common Code: 144A Notes	22994417	23272547	23272571
CUSIP Number:	62052MAK4	62052MAN8	62052MAQ1
ISIN: Reg S Notes	XS0229407670	XS0229408488	XS0229409023
Common Code: Reg S Notes	22940767	22940848	22940902
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aa3/AA/AA	Baa2/BBB/BBB

**Series 5  
Class A**

Principal Amount:	£250,000,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes and Reserve Funds.
Interest Rate:	Three-month Sterling LIBOR + Margin + Additional Amount
Margin until Interest Payment Date falling in November 2012:	0.135% p.a.
Additional Amount:	See the definition contained in Condition 4(C).
Margin after Interest Payment Date falling in November 2012:	0.27% p.a.
Scheduled Redemption Date:	August 2012 and November 2012
Interest Accrual Method:	Actual/365
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Date falling in February, May, August and November in each year.
First Interest Payment Date:	February 2006
Final Maturity Date:	November 2032
Application for Exchange Listing:	London
ISIN: Reg S Notes	XS0231331306 <sup>1</sup>
Common Code: Reg S Notes	23133130 <sup>1</sup>
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA

<sup>1</sup>These Notes have not been accepted for clearing through Euroclear or Clearstream, Luxembourg.

## TRANSACTION OVERVIEW

### Status of the Notes:

The Issuer will issue the following Notes under the Trust Deed:

- \$750,000,000 Series 1 Class A Asset Backed Floating Rate Notes due November 2006 (the **Series 1 Class A Notes**),
- \$34,200,000 Series 1 Class B Asset Backed Floating Rate Notes due February 2042 (the **Series 1 Class B Notes**),
- \$31,800,000 Series 1 Class C Asset Backed Floating Rate Notes due February 2042 (the **Series 1 Class C Notes**),
- \$850,000,000 Series 2 Class A Asset Backed Floating Rate Notes due August 2013 (the **Series 2 Class A Notes**),
- \$38,900,000 Series 2 Class B Asset Backed Floating Rate Notes due February 2042 (the **Series 2 Class B Notes**),
- \$36,100,000 Series 2 Class C Asset Backed Floating Rate Notes due February 2042 (the **Series 2 Class C Notes**),
- €750,000,000 Series 3 Class A Asset Backed Floating Rate Notes due November 2032 (the **Series 3 Class A Notes**),
- €34,300,000 Series 3 Class B Asset Backed Floating Rate Notes due February 2042 (the **Series 3 Class B Notes**),
- €31,800,000 Series 3 Class C Asset Backed Floating Rate Notes due February 2042 (the **Series 3 Class C Notes**),
- £400,000,000 Series 4 Class A Asset Backed Floating Rate Notes due November 2032 (the **Series 4 Class A Notes**),
- £29,200,000 Series 4 Class B Asset Backed Floating Rate Notes due February 2042 (the **Series 4 Class B Notes** and, together with the Series 1 Class B Notes, the Series 2 Class B Notes and the Series 3 Class B Notes, the **Class B Notes**),
- £27,800,000 Series 4 Class C Asset Backed Floating Rate Notes due February 2042 (the **Series 4 Class C Notes**) and, together with the Series 1 Class C Notes, the Series 2 Class C Notes and the Series 3 Class C Notes, the **Class C Notes**) and
- £250,000,000 Series 5 Class A Asset Backed Floating Rate Notes due November 2032 (the **Series 5 Class A Notes**, and together with the Series 1 Class A Notes, the Series 2 Class A Notes, the Series 3 Class A Notes and the Series 4 Class A Notes, the **Class A Notes** and, the Class A Notes together with the Class B Notes and the Class C Notes, the **Notes**).

Pursuant to the Issuer Deed of Charge, the Issuer's obligations under the Notes will be secured by the Issuer Security. Certain other amounts, being the amounts owing to the other Issuer Secured Creditors, will also be secured by the Issuer Security.

Without prejudice to the redemption provisions described in Condition 5 (and except if a Non-Asset Trigger Event occurs or if, prior to enforcement of the Issuer Security, amounts are due and payable in respect of more than one series of Class A Notes), all the Class A Notes will rank (irrespective of series) *pari passu* and rateably without any preference or priority among themselves.

Payments of interest and principal in respect of the Class B Notes and the Class C Notes will only be made if, and to the extent that,

there are sufficient funds available therefor after paying or providing for certain higher ranking liabilities of the Issuer, including liabilities in respect of the Class A Notes. The Class B Notes will rank after the Class A Notes in point of security. The Class C Notes will rank after the Class A Notes and the Class B Notes in point of security. As a result, no assurance is given as to the amount (if any) of interest or (subject to their respective repayment dates) principal on the Class B Notes and/or the Class C Notes which may actually be paid on any Interest Payment Date.

**The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of Bank of Scotland, the Issuer Currency Swap Providers, the Arranger, the Managers, the Mortgages Trustee, the Note Trustee, the Security Trustee, the Previous Issuers (each as defined herein), any company in the same group of companies as Bank of Scotland or the Managers or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of Bank of Scotland, the Issuer Currency Swap Providers, the Arranger, the Managers, the Mortgages Trustee, the Note Trustee, the Security Trustee, the Previous Issuers or by any other person other than the Issuer (but without prejudice to the obligations of Funding to the Issuer under the Issuer Intercompany Loan Agreement).**

**Interest on the Notes:**

The interest rates applicable to the Notes from time to time will be determined by reference (i) (in the case of the Series 1 Class A Notes) to the London Interbank Offered Rate for one-month dollar deposits (**One-Month USD-LIBOR**), (ii) (in the case of the Series 1 Class B Notes, the Series 1 Class C Notes and the Series 2 Notes) to the London Interbank Offered Rate for three-month dollar deposits (**Three-Month USD-LIBOR** and, together with One-Month USD-LIBOR, **USD-LIBOR**), (iii) (in the case of the Series 3 Notes) to the Euro-zone Interbank Offered Rate (**EURIBOR**) for three-month euro deposits and (iv) (in the case of the Series 4 Notes and the Series 5 Notes) to the London Interbank Offered Rate for three-month sterling deposits (**LIBOR**) (other than, in each case, in respect of the first Interest Period in respect of which it will be determined by reference to (a) a linear interpolation of two-week and one-month USD-LIBOR for the Series 1 Class A Notes and (ii) a linear interpolation of three- and four- month USD-LIBOR, EURIBOR or LIBOR, as the case may be, for all classes of Notes other than the Series 1 Class A Notes plus, in each case (or, in the case of the Series 1 Class A Notes, minus), a margin which will differ for each class of each series of Notes. USD-LIBOR, EURIBOR and LIBOR will be determined on the relevant Interest Determination Date.

The margins applicable to the Notes, and the Interest Periods for which such margins apply, will be as set out in *Key Characteristics of the Notes* above.

Interest payments on the Class B Notes will be subordinated to interest payments on the Class A Notes and interest payments on the Class C Notes will be subordinated to interest payments on the Class A Notes and the Class B Notes (see *Cashflows – Distribution of Issuer Revenue Receipts prior to enforcement of the Issuer Security – Issuer Pre-Enforcement Revenue Priority of Payments*, below) so

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

**To the extent that funds are insufficient to pay the interest otherwise due on the Class B Notes and/or the Class C Notes, the deficit will not then be paid but will only be paid on subsequent Interest Payment Dates if and when permitted by any subsequent cash flow which is surplus to the Issuer's liabilities of a higher priority on the relevant Interest Payment Date (see *Cashflows – Distribution of Issuer Revenue Receipts prior to enforcement of the Issuer Security – Issuer Pre-Enforcement Revenue Priority of Payments*, below). Such shortfall will accrue interest during the time it remains unpaid. Deferral will cease on the Final Maturity Date of the Class B Notes and/or the Class C Notes when all accrued interest will become due and payable but it is possible that all or part of any interest due on the Class B Notes and/or Class C Notes may never be paid if there are insufficient funds available therefor after paying amounts of a higher priority.**

Interest is payable in respect of the Notes in dollars (in the case of the Series 1 Notes and the Series 2 Notes), in euros (in the case of the Series 3 Notes) and in sterling (in the case of the Series 4 Notes and the Series 5 Notes). In the case of the Series 1 Class A Notes, interest is payable monthly in arrear on the 8th day of each consecutive month in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being a **Monthly Interest Payment Date**) up to and including the earliest of (i) the 8th day in November 2006, (ii) the occurrence of a Trigger Event or (iii) enforcement of the Issuer Security, and thereafter on a Quarterly Interest Payment Date. In respect of the other classes and series of Notes, interest is payable quarterly in arrear on the 8th day of February, May, August and November, in each year, or, if such day is not a Business Day (as defined below), on the immediately succeeding Business Day (each such date being a **Quarterly Interest Payment Date**). **Interest Payment Date** shall mean a Monthly Interest Payment Date and/or a Quarterly Interest Payment Date, as applicable.

The first interest period (an **Interest Period**) in relation to the Series 1 Class A Notes will commence on (and include) the Issue Date and end on (but exclude) the Interest Payment Date falling in November 2005 and in all other cases the first Interest Period will commence on (and include) the Issue Date and end on (but exclude) the Interest Payment Date falling in February 2006. Each subsequent Interest Period applicable to the Notes will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date.

**Mandatory redemption:**

Unless a Trigger Event has occurred or the Funding Security or the Issuer Security has been enforced or a Note Enforcement Notice has been served:

- (a) the Series 1 Class A Notes will be redeemed in full on the Interest Payment Date falling in November 2006;



- (b) each other class of the Series 1 Notes will be redeemed in full or in part on or after the Interest Payment Date falling in February 2007 on which all the Series 1 Notes of a higher rating have been redeemed in full;
- (c) the Series 2 Class A Notes will be redeemed in full on the Interest Payment Date falling in August 2008;
- (d) each other class of the Series 2 Notes will be redeemed in full or in part on or after the Interest Payment Date on which all the Series 2 Notes of a higher rating have been redeemed in full;
- (e) the Series 3 Class A Notes will be redeemed according to the Series 3 Class A Notes redemption schedule starting on or after the Interest Payment Date falling in August 2010;
- (f) each other class of the Series 3 Notes will be redeemed in full or in part on or after the date on which all the Series 3 Notes of a higher rating have been redeemed in full;
- (g) the Series 4 Class A Notes will be redeemed according to the Series 4 Class A Notes redemption schedule starting on or after the Interest Payment Date falling in February 2011;
- (h) each other class of the Series 4 Notes will be redeemed in full or in part on or after the date on which all the Series 4 Notes of a higher rating have been redeemed in full; and
- (i) the Series 5 Class A Notes will be redeemed according to the Series 5 Class A Notes redemption schedule starting on or after the Interest Payment Date falling in August 2012.

Investors should note that the principal repayment schedule outlined here would, prior to a Trigger Event, result in lower ranking Notes being repaid before higher ranking Notes. For example, the Series 1 Class B Issuer Notes and the Series 1 Class C Issuer Notes would be repaid in full prior to principal repayments being made on the Series 2 Class A Notes.

**Scheduled redemption:**

Funding will accumulate funds during each Cash Accumulation Period so as to enable the following series and classes of Relevant Notes to be redeemed in full on the following Interest Payment Dates (prior to their respective Final Maturity Dates) (the **Scheduled Redemption Dates**):

<b>Class</b>	<b>Bullet Amount</b>	<b>Scheduled Redemption Dates</b>
Second Issuer Class A2 Notes	\$330,000,000	November 2005
Third Issuer Class A1-1 Notes	\$1,400,000,000	February 2006
Series 1 Class A Notes	\$750,000,000	November 2006
First Issuer Class A3 Notes	\$200,000,000	February 2007
Third Issuer Class A1-2 Notes	\$500,000,000	August 2008
Series 2 Class A Notes	\$850,000,000	August 2008

Funding will also seek to accumulate funds during each relevant Cash Accumulation Period so as to enable the following series and classes of Relevant Notes (the **Scheduled Amortisation Notes**) to be redeemed in instalments on the following Interest Payment Dates:

<b>Class</b>	<b>Scheduled Redemption Date</b>	<b>Amounts on each Scheduled Redemption Date</b>
Series 3 Class A Notes	August 2010 and November 2010	€375,000,000
Series 4 Class A Notes	February 2011 and May 2011	£200,000,000
Series 5 Class A Notes	August 2012 and November 2012	£125,000,000

**No assurance can be given, however, that Funding will so accumulate sufficient funds during the relevant Cash Accumulation Periods to enable each such series and class of Bullet Notes to be redeemed in its entirety or, in the case of the Scheduled Amortisation Notes, in the amounts stipulated in the schedule above, on their respective Scheduled Redemption Dates.**

*See Cashflows – Distribution of Funding Available Principal Receipts prior to enforcement of the Funding Security – Funding Pre-Enforcement Principal Priority of Payments, below for the ranking of the repayment of the Current Term Advances between themselves and with the Previous Term Advances.*

*Redemption of Notes following the occurrence of an Asset Trigger Event.*

Following the occurrence of an Asset Trigger Event all of the relevant Term Advances will become immediately due and payable. Funding will be required to apply Funding Available Principal Receipts to repay:

- (a) *first*, the Term AAA Advances *pro rata* and *pari passu*;
- (b) *then*, the Term AA Advances *pro rata* and *pari passu*;
- (c) *then*, the Term A+ Advances *pro rata* and *pari passu*; and
- (d) *finally*, the Term BBB Advances *pro rata* and *pari passu*.

Any amounts received by the Issuer in repayment of a Current Term Advance shall be applied (converted into dollars or euros at the relevant Currency Swap Rate, if applicable) by the Issuer to redeem the corresponding series and class, or sub-class, of Notes.

*Redemption of the Notes following the occurrence of a Non-Asset Trigger Event*

Following the occurrence of a Non-Asset Trigger Event, all of the Term Advances shall become due and payable. Funding will be required to apply Funding Available Principal Receipts to repay:

- (a) *first*, the Term AAA Advances based on their earliest Final Repayment Date, so that the relevant Term AAA Advance with the earliest Repayment Date is paid first, then the relevant Term AAA Advance with the next earliest Repayment Date, and so on;
- (b) *then*, the Term AA Advances *pro rata* and *pari passu*;
- (c) *then*, the Term A+ Advances *pro rata* and *pari passu*; and
- (d) *finally*, the Term BBB Advances *pro rata* and *pari passu*.

Any amounts received by the Issuer in repayment of a Current Term Advance shall be applied (converted into dollars or euros at the relevant Currency Swap Rate, if applicable) to redeem the corresponding series and class of Notes.

**Optional redemption for tax and other reasons:**

Upon giving not more than 60 nor less than 30 days' notice to Noteholders in accordance with Condition 15 of the terms and conditions of the Notes (the **Conditions**) and to the Note Trustee and provided that (a) on the Interest Payment Date on which such notice expires, no enforcement notice (a **Note Enforcement Notice**) has been served in respect of the Notes, and (b) the Issuer has, prior to giving such notice, certified to the Note Trustee and produced evidence acceptable to the Note Trustee (as specified in the Trust Deed) that it will have the necessary funds to pay principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge any amounts required to be paid in priority to or *pari passu* with the Notes, the Issuer may at its option redeem all (but not some only) of the Notes on the following dates:

- (a) on any Interest Payment Date in the event of certain tax changes affecting the Issuer or the Notes or in the event of the total amount payable in respect of interest in relation to the Issuer Intercompany Loan ceasing to be receivable at any time (see Condition 5(E) of the Notes); or
- (b) on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the aggregate of the Class A Notes, the Class B Notes and the Class C Notes then outstanding is less than ten per cent. of the aggregate Principal Amount Outstanding of the aggregate of the Class A Notes, the Class B Notes and the Class C Notes as at the Issue Date (see Condition 5(D) of the Notes); or
- (c) in the case of all of the Notes (other than the Series 1 Class A Notes) on the Interest Payment Date falling in November 2012 and on any Interest Payment Date thereafter (see Condition 5(D) of the Notes).

Any Notes so redeemed will be redeemed at their Principal Amount Outstanding (as defined in Condition 5(C) of the Notes) together with accrued but unpaid interest on such amount.

**Redemption or purchase following a regulatory event:**

The Issuer may redeem all of the Class B Notes and/or the Class C Notes or require holders of all of the Class B Notes and/or the Class C Notes to sell their Notes to the Issuer, in each case on any Interest Payment Date on or after the Interest Payment Date falling in February 2009 for a price equal to the Principal Amount Outstanding of the Notes to be purchased, together with any accrued interest, if (a) the Basel II Framework has been implemented in the United Kingdom, whether by rule of law, recommendation of best practices or by any other regulation (including pursuant to implementation in the United Kingdom of the EU Capital Requirements Directive), (b) on the Interest Payment Date for such sale or redemption of the Notes, no Note Enforcement Notice has been served, (c) the Issuer gives not more than 60 nor less than 30 days' notice to Noteholders, the Issuer Currency Swap Providers and the Note Trustee in accordance with the Conditions of the Notes, (d) each Rating Agency has confirmed that its then current ratings of the Notes would not be adversely affected by such sale or redemption and (e) the Issuer has, prior to giving such notice, certified to the Note Trustee that the

Issuer will have the necessary funds to pay principal, interest and any amount required to be paid by the Issuer in priority to or *pari passu* with principal and interest in respect of the Notes on the relevant Interest Payment Date. Any Notes purchased by the Issuer in the exercise of this right will remain outstanding until the date on which they would otherwise be redeemed or cancelled in accordance with the Conditions of the Notes.

**Purchase of Notes:**

Unless it is provided in or permitted by the terms of the Transaction Documents, neither the Issuer nor Funding shall purchase any Notes.

**Final maturity:**

Unless previously redeemed in full, the Notes will mature on the Interest Payment Date falling in:

- (a) November 2006, in respect of the Series 1 Class A Notes;
- (b) February 2042, in respect of the Series 1 Class B Notes;
- (c) February 2042, in respect of the Series 1 Class C Notes;
- (d) August 2013, in respect of the Series 2 Class A Notes;
- (e) February 2042, in respect of the Series 2 Class B Notes;
- (f) February 2042, in respect of the Series 2 Class C Notes;
- (g) November 2032, in respect of the Series 3 Class A Notes;
- (h) February 2042, in respect of the Series 3 Class B Notes;
- (i) February 2042, in respect of the Series 3 Class C Notes;
- (j) November 2032, in respect of the Series 4 Class A Notes;
- (k) February 2042, in respect of the Series 4 Class B Notes;
- (l) February 2042, in respect of the Series 4 Class C Notes; and
- (m) November 2032, in respect of the Series 5 Class A Notes,

being, respectively, the **Final Maturity Date** of each such series and class of the Notes.

**Post-Enforcement Call Option:**

The Security Trustee will, on the Issue Date, grant to the Post-Enforcement Call Option Holder (pursuant to a post-enforcement call option agreement to be entered into on or about the Issue Date between the Issuer, the Post-Enforcement Call Option Holder and the Security Trustee (the **Post-Enforcement Call Option Agreement**)) an option to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class B Notes (together with accrued interest thereon) and an option to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class C Notes (together with accrued interest thereon) in the event that the Issuer Security is enforced and, after payment of all other claims ranking in priority to the Class B Notes and/or the Class C Notes under the Issuer Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal, interest and other amounts due in respect of the Class B Notes and/or the Class C Notes (as the case may be) and all other claims ranking *pari passu* therewith. The Class B Noteholders and the Class C Noteholders will be bound by the terms and conditions of the Trust Deed and the Conditions in respect of the post enforcement call option and the Security Trustee will be irrevocably

authorised to enter into the Post-Enforcement Call Option Agreement as agent for the Class B Noteholders and the Class C Noteholders.

**Withholding tax:**

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts in relation thereto, subject as provided above. The applicability of any UK withholding taxes is discussed further under *United Kingdom Taxation*, below.

**Expected average lives of the Notes:**

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions as described under *Expected Average Lives of the Notes*.

However, in certain circumstances as set out in *Risk Factors – Issuer’s ability to meet its obligations under the Notes – Considerations relating to yield, prepayments and mandatory redemptions*, below, the actual average lives of the Notes may be less or greater than the expected average lives of the Notes.

**Ratings:**

The rating expected to be assigned to each class of Notes on the Issue Date by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. (**Standard & Poor’s** or **S&P**), Moody’s Investors Service Limited (**Moody’s**) and Fitch Ratings Ltd (**Fitch**), and, together with Standard & Poor’s and Moody’s, the **Rating Agencies**, which term includes any further or replacement rating agency appointed by the Issuer with the approval of the Note Trustee to give a credit rating to the Notes or any class thereof) are set out in *Key Characteristics of the Notes*, above.

**A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Funding Swap Provider and/or the Issuer Currency Swap Providers and/or the Mortgages Trustee GIC Provider and/or the MSPB Mortgages Trustee GIC Provider and/or the Funding GIC Provider) in the future so warrant.**

**Listing:**

Application has been made to the UK Listing Authority to list each class of each series of the Notes on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Notes to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market.

**Debt for US tax purposes:**

The Issuer intends to take the position that the Class A Notes represent debt for United States federal income tax purposes and has received a legal opinion to this effect. Investors should read *United States Federal Income Taxation*, below.

**ERISA eligibility:**

Subject to the important considerations described under *United States ERISA Considerations*, below, the Class A Notes (other than the Series 5 Class A Notes) are eligible for purchase by persons investing assets of employee benefit plans or individual retirement accounts subject to Title I of ERISA or Section 4975 of the Code.

The Series 5 Class A Notes, the Class B Notes and the Class C Notes are not eligible for purchase by persons investing assets of employee benefit plans or individual retirement accounts subject to Title I of ERISA or Section 4975 of the Code.

**Previous Issuers, the Previous Notes and the Previous Intercompany Loans:**

The Previous Issuers issued the Previous Notes and have on-lent an aggregate amount equal to the sterling equivalent of the gross proceeds of their respective Previous Notes to Funding under their respective Previous Intercompany Loan Agreement.

**Further issues and new issues:**

The Issuer will be entitled (but not obliged), at its option from time to time on any date, without the consent of the Noteholders, to raise further funds by the creation and issue of:

- (a) further notes in respect of any existing class of a series of Notes which will carry the same terms and conditions in all respects as (save as to the first interest period), and so that the same shall be consolidated and form a single series and rank *pari passu* with, the relevant class of a series of Notes (**Further Notes**); or
- (b) New Notes (as defined below) of a new series and class which may rank *pari passu* with, ahead of or after any series and class of Notes then in issue.

It will be a condition precedent to the issue of any Further Notes and/or New Notes by the Issuer that:

- (a) the aggregate principal amount of all Further Notes and/or New Notes to be issued on any date is not less than £5,000,000 (or equivalent amount in any other currency);
- (b) any Further Notes are assigned the same ratings as are then applicable to the relevant class of a series of Notes then outstanding;
- (c) the Ratings Agencies confirm that the then current ratings of all Notes at that time outstanding will not be adversely affected as a result of such issue of Further Notes and/or New Notes as the case may be;
- (d) an amount equal to the aggregate principal amount of such Further Notes and/or New Notes will be on-lent by the Issuer to Funding pursuant to the provisions of the Fourth Issuer Intercompany Loan Agreement; and
- (e) no Event of Default has occurred and is continuing.

For the purposes of this Offering Circular:

**New Notes** means new notes issued by the Issuer in accordance with Condition 16(B) of the Notes or, as the context may require, notes issued by a New Issuer; and

**New Issue** means an issue of New Notes.

**New Issuers:**

The Transaction Documents allow for Holdings to establish New Issuers which will issue New Notes and on-lent an amount equal to the gross issue proceeds of the New Notes to Funding pursuant to New Intercompany Loan Agreements, provided that, *inter alia*, the issue of the New Notes would not result in a downgrade of the then current ratings of the Previous Notes and the Notes.

**Sale of Current Portfolio:**

Pursuant to a mortgage sale agreement entered into on 2nd May, 2000 (the **Set-up Date**) by the Seller, the Mortgages Trustee, the

Security Trustee and Funding, as amended and to be further amended on or about the Issue Date (the **Mortgage Sale Agreement**), the Seller will sell its interest in the Current Portfolio to the Mortgages Trustee on the Issue Date, to be held on trust for the Seller and Funding under the terms of the Mortgages Trust Deed. The sale by the Seller to the Mortgages Trustee on the Issue Date of each loan in the Current Portfolio which is secured by a mortgage over a property located in England or Wales (**English Loans** and **English Mortgages** respectively) will be given effect by an equitable assignment. The sale by the Seller to the Mortgages Trustee on the Issue Date of each loan in the Current Portfolio which is secured by a standard security over a property located in Scotland (**Scottish Loans** and **Scottish Mortgages** respectively) will be given effect by a declaration of trust by the Seller (a **Scottish Declaration of Trust**) (and any sale of Scottish Loans in the future will be given effect by further declarations of trust) under which the beneficial interest in such Scottish Loans will be transferred to the Mortgages Trustee. In relation to Scottish Loans, references in this Offering Circular to the assignment of Loans and their Related Security are to be read as references to the making of such declarations of trust.

Prior to the occurrence of a Seller Insolvency Event, notice of the sale of the Portfolio will not be given to the mortgage borrowers (**Borrowers**) and the Mortgages Trustee will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable or beneficial interest in the English Mortgages or take any steps to complete or perfect its title to the Scottish Mortgages.

#### **The Loans:**

The **Portfolio** will comprise the Current Portfolio, the Previous Portfolio and each New Portfolio but will exclude any Loans and their Related Security which have been fully redeemed or repurchased or otherwise removed from the Trust Property.

As at the Issue Date, the Loans in the Portfolio will comprise:

- (a) loans which are subject to variable rates of interest set by the Seller from time to time;
- (b) loans which are subject to interest rates set at a margin above or below the base rate of the Seller from time to time;
- (c) loans which are subject to fixed rates of interest set by reference to a predetermined rate or series of rates for a fixed period or periods; and
- (d) flexible loans which may be subject to either variable or base-rate linked rates of interest, as described above and which offer optional features enabling the Borrowers thereunder, *inter alia*, to make overpayments and re-drawings and to access further funds by means of a cheque book facility.

Any future drawings (**Redrawings**) under Flexible Loans and any further advances (**Further Advances**) made under the Loans will be funded solely by the Seller. Such Redrawings and Further Advances will be included in the Trust Property and the Seller Share of the Trust Property shall increase accordingly.

Any reference to the outstanding principal balance of the Loans includes capitalised arrears of interest and expenses.

As at the Issue Date, the Loans in the Portfolio will each have had an original repayment term of up to 40 years. No Loan will have a final repayment date beyond February 2040.

All the Loans are secured by first legal charges over freehold or leasehold properties located in England or Wales or first ranking standard securities over heritable or long leasehold properties located in Scotland. None of the Loans in the Current Portfolio were, on 1st August, 2005 in arrears by an amount equal to or in excess of the amount of one monthly payment due under that Loan (although certain of the Loans in the Previous Portfolio were in arrears by such amount on that date).

All of the Loans complied with the Lending Criteria applicable at the time of origination. The Mortgages Trustee will have the benefit of warranties (the **Loan Warranties**) given, or to be given, by the Seller as at the relevant Sale Date in relation to the Loans and the Related Security, including warranties in relation to the Lending Criteria applied in advancing the Loans. It should be noted that the Loan Warranties may be amended from time to time with the prior consent of the Rating Agencies. The consent of Noteholders in relation to such amendments will not be obtained if the Rating Agencies have consented to those amendments.

The Seller will be required to repurchase any Loan sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the relevant Sale Date and which default has not been remedied within 20 London Business Days of receipt of notice from the Mortgages Trustee. If the Seller fails to repurchase the Loan within such period, then the aggregate outstanding principal balance of the Trust Property shall be deemed to be reduced by an amount equal to the outstanding principal balance of the relevant Loan together with accrued arrears of interest and expenses. Such deemed reduction shall not reduce the Funding Share of the Trust Property.

As at 1st August, 2005 in relation to the Current Portfolio and the Previous Portfolio (the **Provisional Portfolio**): (1) the weighted average loan to value of those Loans was 77.79 per cent.; (2) the weighted average seasoning of those Loans was 33.62 months, 74.68 per cent. (by value) of those Loans were 18 months or over in age and 10.69 per cent. (by value) of those Loans were over five years in age; and (3) the Loans are secured by mortgages over properties predominantly situated in the South East of England (40.63 per cent. (by value) in London and 21.92 per cent. (by value) in the rest of the South East area).

#### **Mortgages Trust:**

Pursuant to the terms of a mortgages trust deed made by the Mortgages Trustee, Funding and the Seller on 1st May, 2000, as amended and to be further amended on or about the Issue Date (the **Mortgages Trust Deed**), the Mortgages Trustee holds the Trust Property as to capital and income on bare trust absolutely for Funding (as to the Funding Share) and for the Seller (as to the Seller Share) as tenants in common, such that each has an undivided beneficial interest in the Trust Property (the **Mortgages Trust**).

At the Issue Date:

- (a) the share of Funding in the Trust Property is expected to be approximately 48 per cent. of the Trust Property (the **Funding Share Percentage**) or an amount equal to approximately £4,762,330,911 (the **Funding Share**); and
- (b) the share of the Seller in the Trust Property is expected to be approximately 52 per cent. of the Trust Property (the **Seller**



**Share Percentage**) or an amount equal to approximately £5,179,041,341 (the **Seller Share**),

(although these figures may change on or before the Issue Date, depending on the constitution of the Current Portfolio at the Issue Date and redemptions and repurchases in the Previous Portfolio on or before the Issue Date).

The Funding Share and the Seller Share will be recalculated by the Cash Manager on each Calculation Date based on the aggregate principal amount outstanding of the Loans constituting the Trust Property as at close of business on the last London Business Day of the immediately preceding month. The purpose of such recalculation is to determine the new Funding Share Percentage and the new Seller Share Percentage of the Trust Property.

The Funding Share and the Seller Share will fluctuate as described above but at all times Funding and the Seller will, between them, be absolutely entitled as tenants in common to 100 per cent. of the Trust Property and its income.

**Acquisition by Funding of an Increased Interest in the Trust Property:**

On not more than 61 nor less than 31 days' written notice Funding may offer to make a payment to the Seller in consideration for an increase in the Funding Share of the Trust Property on the Calculation Date specified in that notice. If Funding's offer is accepted by the Seller, then upon the making of the payment on a Calculation Date, the Funding Share of the Trust Property shall increase and the Seller Share of the Trust Property shall decrease by a corresponding amount. The Funding Share Percentage and the Seller Share Percentage of the Trust Property will also be adjusted.

Such offer may only be accepted if certain conditions are satisfied, as described below in *Summary of the Transaction Documents – Mortgages Trust Deed – Acquisition by Funding of an Increased Interest in the Trust Property*.

**Minimum Seller Share:**

The Seller Share of the Trust Property includes an amount known as the **Minimum Seller Share**. The Minimum Seller Share is calculated to take account of certain risks.

The Minimum Seller Share as at the Issue Date will be approximately £1,670,000,000. When distributing Principal Receipts to the Seller, the Seller Share of the Trust Property cannot be equal to or less than the Minimum Seller Share; if it is, a Non-Asset Trigger Event will occur.

The Minimum Seller Share will be increased and decreased in certain circumstances. The method for calculating the Minimum Seller Share and the risks taken into account when calculating the Minimum Seller Share are described in *Summary of the Transaction Documents – Mortgages Trust Deed – Minimum Seller Share*, below.

**Distribution of Revenue Receipts, Losses and Principal Receipts:**

Revenue Receipts and Losses from the Portfolio will be distributed between the Seller and Funding in accordance with the Seller Share Percentage thereof and the Funding Share Percentage thereof (as the case may be). Principal Receipts will be distributed in accordance with the provisions described in *Cashflows – Mortgages Trustee Distribution of Principal Receipts*, below.

**Administration:**

Pursuant to the Administration Agreement, the Administrator has agreed to service the Loans and their Related Security on behalf of the Mortgages Trustee (such services, *inter alia*, the **Administration Services**).

The appointment of the Seller as Administrator (in relation to the provision of the Administration Services) can only be terminated on the occurrence of a Seller Insolvency Event. If, however, the Seller (as Administrator) breaches the Administration Standard and such breach is not cured, if capable of being cured, within 20 London Business Days of the Seller becoming aware of such breach, then the Seller will be required to delegate its general loan administration function of the Loans and their Related Security and of all mortgage loans on the BoS Mortgage Book to a third party. The Administrator will grant a power of attorney to the Mortgages Trustee on or about the Issue Date to secure such delegation requirement.

**Issuer Intercompany Loan:**

On the Issue Date, the Issuer will issue the Notes and (after exchanging the proceeds of the Series 1 Notes, the Series 2 Notes and the Series 3 Notes into sterling at the relevant Currency Swap Rate) it will lend an amount equal to the sterling equivalent of the gross proceeds of the issue of the Notes to Funding pursuant to a loan agreement dated the Issue Date and made between the Issuer, Funding and the Security Trustee (the **Issuer Intercompany Loan Agreement**). The Issuer Intercompany Loan will be drawn in sterling in 13 separate term advances, as follows:

- the **Current Series 1 Class A Advance**, funded by the issue of the Series 1 Class A Notes;
  - the **Current Series 2 Class A Advance**, funded by the issue of the Series 2 Class A Notes;
  - the **Current Series 3 Class A Advance**, funded by the issue of the Series 3 Class A Notes;
  - the **Current Series 4 Class A Advance**, funded by the issue of the Series 4 Class A Notes;
  - the **Current Series 5 Class A Advance**, funded by the issue of the Series 5 Class A Notes;
- (together the **Current Term AAA Advances**)
- the **Current Series 1 Class B Advance**, funded by the issue of the Series 1 Class B Notes;
  - the **Current Series 2 Class B Advance**, funded by the issue of the Series 2 Class B Notes;
  - the **Current Series 3 Class B Advance**, funded by the issue of the Series 3 Class B Notes;
  - the **Current Series 4 Class B Advance**, funded by the issue of the Series 4 Class B Notes;
- (together the **Current Term AA Advances**)
- the **Current Series 1 Class C Advance**, funded by the issue of the Series 1 Class C Notes;
  - the **Current Series 2 Class C Advance**, funded by the issue of the Series 2 Class C Notes;
  - the **Current Series 3 Class C Advance**, funded by the issue of the Series 3 Class C Notes; and
  - the **Current Series 4 Class C Advance**, funded by the issue of the Series 4 Class C Notes;
- (together the **Current Term BBB Advances**).

Together, the Current Term AAA Advances, the Current Term AA Advances and the Current Term BBB Advances are referred to as the **Current Term Advances**. The Current Series 1 Class A Advance, the Current Series 1 Class B Advance and the Current Series 1 Class C Advance are referred to as the **Current Series 1 Advances**. The Current Series 2 Class A Advance, the Current Series 2 Class B Advance and the Current Series 2 Class C Advance are referred to as the **Current Series 2 Advances**. The Current Series 3 Class A Advance, the Current Series 3 Class B Advance and the Current Series 3 Class C Advance are referred to as the **Current Series 3 Advances**. The Current Series 4 Class A Advance, the Current Series 4 Class B Advance and the Current Series 4 Class C Advance are referred to as the **Current Series 4 Advances**.

The Issuer will make payments of interest and principal on the Notes from, *inter alia*, respective payments of interest and principal made by Funding under the corresponding Current Term Advances and from amounts paid by an Issuer Currency Swap Provider pursuant to the relevant Issuer Currency Swap Agreement.

The Previous Intercompany Loan Agreements permit, and the Issuer Intercompany Loan Agreement will permit, New Issuers to make New Term Advances to Funding pursuant to New Intercompany Loan Agreements. Noteholders' prior consent will not be required to Funding's entry into any New Intercompany Loan Agreement, provided that the Rating Agencies have confirmed to the Security Trustee that the then current ratings of the Notes are not adversely affected by the issue of New Notes.

Entry into New Intercompany Loan Agreements will be subject to certain conditions precedent. Each New Intercompany Loan Agreement will be on substantially the same terms as the Previous Intercompany Loan Agreements and the Issuer Intercompany Loan Agreement, except as to the amount advanced, the Term Advance Ratings of the New Term Advances, the applicable interest rates, the drawdown dates and the terms for repayment.

The Issuer Intercompany Loan Agreement will provide that (subject to satisfaction of certain conditions precedent) further term advances may be made to Funding in connection with an issue of Further Notes or New Notes by the Issuer. The prior consent of the Noteholders will not be required to enable the Issuer to make such further term advances, provided that the Rating Agencies have confirmed to the Security Trustee that the then current ratings of the Notes are not adversely affected by the issue of Further Notes or New Notes by the Issuer.

Funding shall pay interest and repay principal on each Term Advance under the Intercompany Loans to the Relevant Issuer in an order of priority as set out in *Cashflows* below.

**Funding Security:**

Funding's obligations under the Previous Intercompany Loan Agreements and under each of the other Transaction Documents to which it is a party are, and Funding's obligations under the Issuer Intercompany Loan Agreement will be, secured under the Funding Deed of Charge.

**Swaps:**

*Issuer Currency Swaps:*

Payments made by the Mortgages Trustee to Funding under the Mortgages Trust Deed and payments made by Funding to the Issuer under the Issuer Intercompany Loan will be made in sterling. To enable the Issuer to make payments on the Interest Payment Dates in respect of the Series 1 Notes and the Series 2 Notes, the Issuer

will enter into an Issuer Currency Swap with the Issuer Dollar Currency Swap Provider in respect of each class of Series 1 Notes and each class of Series 2 Notes (each an **Issuer Dollar Currency Swap**) and the Security Trustee under the relevant Issuer Currency Swap Agreement (each an **Issuer Dollar Currency Swap Agreement**).

Similarly, to enable the Issuer to make payments on the Interest Payment Dates in respect of the Series 3 Notes, the Issuer will enter into an Issuer Currency Swap with the Issuer Euro Currency Swap Provider in respect of each class of Series 3 Notes (each an **Issuer Euro Currency Swap**) and the Security Trustee under the relevant Issuer Currency Swap Agreement (each an **Issuer Euro Currency Swap Agreement**).

*Funding Swap:*

Borrowers will make payments under the Loans in sterling. Some of the Loans in the Portfolio are Variable Rate Loans, Fixed Rate Loans or Base Rate Loans. The interest rates in respect of these Loans do not necessarily match the floating rate of interest payable on the Issuer Intercompany Loan.

In relation to the previous issues by Mound Financing (No. 1) PLC and Mound Financing (No. 2) PLC on 1st February, 2001, Funding entered into the Funding Swap under the Funding Swap Agreement with the Funding Swap Provider and the Security Trustee. On subsequent dates the Funding Swap was amended and restated in relation to the Previous Notes by the Previous Issuers.

In relation to this issue, in order to provide a hedge against the possible variance between (a) the weighted average, during an Interest Period, of (i) the variable rates payable in respect of those Variable Rate Loans that are not Base Rate Loans, (ii) the rates of interest payable on the Base Rate Loans, (iii) the rate of interest paid on amounts in the Funding GIC Account and (iv) the fixed rates of interest payable on the Fixed Rate Loans, and (b) a rate of LIBOR for three-month sterling deposits plus a spread which will be calculated by reference to each Calculation Period which ends on a date falling within such Interest Period, the Funding Swap Agreement will be amended and restated on the Issue Date in order to adjust the margins that will be applied to the three-month LIBOR rate by reference to which amounts payable by the Funding Swap Provider (if any) will be calculated.

As Funding enters into each New Intercompany Loan Agreement in connection with a New Issue or if the Issuer grants Funding an Additional Term Advance under the Issuer Intercompany Loan Agreement then either (i) the notional amount of the Funding Swap will be adjusted so that it shall be the aggregate principal amount outstanding from time to time under the Previous Intercompany Loan, the Issuer Intercompany Loan and each New Intercompany Loan less the balance of the Principal Deficiency Ledger attributable to each such loan, as will be the case on the Issue Date, or (ii) it will simultaneously enter into a new interest rate swap (each a **New Funding Swap**) which may be entered into with the Security Trustee and a new swap provider (the **New Funding Swap Provider**) under a new master agreement (the **New Funding Swap Agreement**). Any New Funding Swap Provider will rank *pari passu* with the Funding Swap Provider as to payment under the Funding Priority of Payments, ahead of interest payments due on the Term Advances.

**Liquidity Reserve Fund:**

Following the occurrence of a Liquidity Reserve Fund Rating Event: (i) Funding will be obliged to make drawings (insofar as available) of amounts standing to the credit of the Liquidity Reserve Fund in the

circumstances described in *Credit Structure – Liquidity Reserve Fund* below, and (ii) the Liquidity Reserve Fund Required Amount on any Funding Interest Payment Date will be an amount equal to three per cent. of the aggregate outstanding balance of the Notes at that date.

Such drawings will be applied towards payment of interest on the current Term Advances and payment of principal on the Current Series 1 Class A Advance, the Current Series 2 Class A Advance (together the **Current Bullet Term Advances**), the Current Series 3 Class A Advance, the Current Series 4 Class A Advance and the Current Series 5 Class A Advance (together, the **Current Scheduled Amortisation Term Advances**).

**Current Start-up Loan Agreement:**

Funding will enter into the Current Start-up Loan Agreement on the Issue Date with the Current Start-up Loan Provider, pursuant to which the Current Start-up Loan Provider will advance a loan on the Issue Date in the amount of approximately £13,200,000, which will be used to reimburse certain of the Issuer's expenses in connection with the issue of the Notes in accordance with the Issuer Intercompany Loan and to further fund the General Reserve Fund.

As Funding enters into New Intercompany Loan Agreements, it will (if necessary) simultaneously enter into **New Start-up Loans** under **New Start-up Loan Agreements** with the relevant **New Start-up Loan Provider** (who is expected to be the Seller). Any New Start-up Loan Provider will rank *pari passu* as to payment with the existing Start-up Loan Providers under the Funding Priority of Payments.

**Mortgages Trustee Guaranteed Investment Contract:**

The Mortgages Trustee entered into the Mortgages Trustee Guaranteed Investment Contract with the Mortgages Trustee GIC Provider on the Set-up Date, pursuant to which the Mortgages Trustee GIC Provider agreed to pay interest on the Mortgages Trustee GIC Account at a specified rate.

**MSPB Mortgages Trustee Guaranteed Investment Contract:**

The Mortgages Trustee entered into the MSPB Mortgages Trustee Guaranteed Investment Contract with the MSPB Mortgages Trustee GIC Provider on 18th May, 2005 pursuant to which the MSPB Mortgages Trustee GIC Provider agreed to pay interest on the MSPB Mortgages Trustee GIC Account at a specified rate.

**Funding Guaranteed Investment Contract:**

Funding entered into the Funding Guaranteed Investment Contract with the Funding GIC Provider on the Set-up Date, pursuant to which the Funding GIC Provider agreed to pay interest on the Funding GIC Account at a specified rate.

with the representations and warranties in the Mortgage Sale Agreement, then the payment received by the Mortgages Trustee will have the same effect as a prepayment of all the Loans under that mortgage account. Because these and other relevant factors are not within the control of the Issuer, Funding or the Mortgages Trustee, no assurance can be given as to the level of prepayments that the Portfolio will experience. Accordingly, there can be no assurance that Funding will accumulate sufficient funds during a Cash Accumulation Period to enable it to repay the Current Series 1 Class A Advance, the Current Series 2 Class A Advance, the Current Series 3 Class A Advance, the Current Series 4 Class A Advance or the Current Series 5 Class A Advance so that the Series 1 Class A Notes, the Series 2 Class A Notes, the Series 3 Class A Notes, the Series 4 Class A Notes and the Series 5 Class A Notes will be redeemed in their entirety on their respective Scheduled Redemption Dates.

Prepayments of principal on the Loans will have a varying effect on each class of a series of the Notes and will depend upon amounts received under the Issuer Intercompany Loan and upon whether a Trigger Event has occurred or the Issuer Security has been enforced. With respect to the Series 1 Class A Notes, the Series 2 Class A Notes, the Series 3 Class A Notes, the Series 4 Class A Notes and the Series 5 Class A Notes, and assuming that no Trigger Event has occurred and/or that the Issuer Security has not been enforced, the Series 1 Class A Notes, the Series 2 Class A Notes, the Series 3 Class A Notes, the Series 4 Class A Notes and the Series 5 Class A Notes will not be redeemed before their respective Scheduled Redemption Dates. However, if prepayments on the Loans occur less frequently than anticipated, then there may not be sufficient funds available for redemption of the entire Principal Amount Outstanding of the Series 1 Class A Notes, the Series 2 Class A Notes, the Series 3 Class A Notes, the Series 4 Class A Notes and the Series 5 Class A Notes on their respective Scheduled Redemption Dates, in which case further payments of principal will be made on subsequent Interest Payment Dates. In respect of the Series 1 Class B Notes, the Series 1 Class C Notes, the Series 2 Class B Notes, the Series 2 Class C Notes, the Series 3 Class B Notes, the Series 3 Class C Notes, the Series 4 Class B Notes and the Series 4 Class C Notes (together the **Pass-Through Notes**), payments of principal will not be made until after the Bullet Notes and the Scheduled Amortisation Notes of the relevant series have been redeemed in full.

If a Trigger Event occurs prior to the Scheduled Redemption Dates in respect of the Bullet Notes or Scheduled Amortisation Notes (as the case may be) then the relevant series of Class A Notes outstanding will not be repaid on their respective Scheduled Redemption Dates but will be repaid on each Interest Payment Date to the extent of funds received on the corresponding Bullet Term Advance or Scheduled Amortisation Term Advance (as the case may be).

Following the occurrence of an Asset Trigger Event or enforcement of the Funding Security under the Funding Deed of Charge, the Mortgages Trustee (or the Cash Manager on its behalf) will distribute Principal Receipts to Funding and the Seller *pro rata* and *pari passu* according to the Funding Share Percentage of the Trust Property and the Seller Share Percentage of the Trust Property, respectively until the Funding Share of the Trust Property is zero. Following the occurrence of a Non-Asset Trigger Event (and provided that no Asset Trigger Event has occurred), the Mortgages Trustee (or the Cash Manager on its behalf) will distribute Principal Receipts to Funding until the Funding Share of the Trust Property is zero.

Following the occurrence of a Trigger Event or enforcement of the Funding Security under the Funding Deed of Charge, there is no Cash Accumulation Period. Accordingly, there is no assurance that the Notes (particularly the Bullet Notes and the Scheduled Amortisation Notes) will be repaid in full on their respective Final Maturity Dates. If the Issuer does default in repaying the Notes on their respective Final Maturity Dates, then the Security Trustee will be entitled to enforce the Issuer Security but, to the extent that Funding is not in default under the Issuer Intercompany Loan Agreement, the Issuer's recourse to the assets of Funding pursuant to the Funding Deed of Charge is limited (see further *Risk Factors – Issuer's ability to meet its obligations under the Notes – Funding's limited recourse obligation to make payments of interest, principal and other amounts under the Issuer Intercompany Loan Agreement*, above). Following enforcement of the Issuer Security, the Security Trustee will apply monies received from Funding under the Issuer Intercompany Loan to repay the Issuer Secured Creditors in accordance with the Issuer Post Enforcement Priority of Payments.

Funding will apply Funding Available Principal Receipts on each Funding Interest Payment Date to repay the Term Advances (after first replenishing the General Reserve Fund to the extent that it was used on any previous Funding Interest Payment Date to make permitted payments of principal on the Bullet Term Advances or the Scheduled Amortisation Term Advances and has not been replenished). Following the occurrence of an Asset Trigger Event, Funding will repay:

*first*, all of the Term AAA Advances, *pro rata* and *pari passu* until the Term AAA Advances are fully repaid, *then*, all of the Term AA Advances, *pro rata* and *pari passu* until the Term AA Advances are fully repaid, *then*, all of the Term A+ Advances, *pro rata* and *pari passu* until the Term A+ Advances are fully repaid, and

*finally*, all of the Term BBB Advances, *pro rata* and *pari passu*, until the Term BBB Advances are fully repaid.

Following the occurrence of a Non-Asset Trigger Event (but provided that no Asset Trigger Event has occurred), Funding will repay:

*first*, the Term AAA Advance with the earliest Final Repayment Date, then the Term AAA Advance with the next earliest Final Repayment Date, and so on until the Term AAA Advances are fully repaid,

*then*, all of the Term AA Advances, *pro rata* and *pari passu* until the Term AA Advances are fully repaid,

*then*, all of the Term A+ Advances, *pro rata* and *pari passu* until the Term A+ Advances are fully repaid, and

*finally*, all of the Term BBB Advances, *pro rata* and *pari passu* until the Term BBB Advances are fully repaid (see further *Summary of the Transaction Documents – Issuer Intercompany Loan Agreement*).

If the Issuer Security is enforced, then the Security Trustee shall apply the monies available in the manner described in *Cashflows – Distribution of Issuer Principal Receipts and Issuer Revenue Receipts following enforcement of the Issuer Security*, below. In these circumstances, the Bullet Notes and the Scheduled Amortisation Notes (if still outstanding) will not be repaid on their Scheduled Redemption Dates and there is no assurance that those Notes will be repaid by their Final Maturity Dates.

#### ***Subordination of other classes of Notes***

The Class B Notes and the Class C Notes are subordinated in right of payment of interest to the Class A Notes. The Class C Notes are subordinated in right of payment of interest to the Class B Notes. However, as described in *The transaction has been structured in the expectation that the Series 1 Notes will be redeemed before the Series 2 Notes and so on* above, the transaction has been structured in the expectation that the Series 1 Class A Notes will be repaid in full prior to the redemption of the Series 2 Class A Notes, the Series 3 Class A Notes, the Series 4 Class A Notes and the Series 5 Class A Notes and so on for each class of each series of Notes.

Accordingly, there is no assurance that these subordination rules will protect the holders of Class A Notes or the holders of Class B Notes from all risk of loss.

#### ***Deferral of Principal Payments***

Principal repayments on the Current Term AA Advances and/or the Current Term BBB Advances will be deferred in the following circumstances:

If on a Funding Interest Payment Date:

- there is a debit balance on the BBB Principal Deficiency Sub ledger, the A+ Principal Deficiency Sub Ledger or the AA Principal Deficiency Sub ledger, after application of the Funding Available Revenue Receipts on that Funding Interest Payment Date; or
- the General Reserve Fund has been debited for the purposes of curing a Principal Deficiency in respect of the Term BBB Advances and/or the Term A+ Advances and/or the Term AA Advances; or
- the aggregate outstanding principal balance of Loans in the Mortgages Trust, in respect to which the aggregate amount in arrears is more than three times the monthly payment then due, is more than six per cent. of the aggregate outstanding principal balance of Loans in the Mortgages Trust,

then until the relevant circumstances as described in the sub-paragraphs above have been cured or otherwise ceases to exist, to the extent that

- (a) any Term AAA Advance remains outstanding (whether or not such Term AAA Advance is then due and payable) after the allocation of principal on that Funding Interest Payment Date to those Term Advances, the Term AA Advances, the Term A+ Advances and the Term BBB Advances will not be entitled to principal repayments;

**Principal Payment Rate** or **PPR** means (i) in respect of the Term Advances not including the Current Series 1 Class A Advance, the average monthly rolling principal payment rate on the Loans for the 12 months immediately preceding the Relevant Calculation Date, calculated on each PPR Date and (ii) in respect of the Current Series 1 Class A Advance, the principal payment rate on the Loans in the immediately preceding PPR Period. A **PPR Date** is the first London Business Day of each month. A **PPR Period** is the period from and including a PPR Date to but excluding the next PPR Date. The Principal Payment Rate for the Term Advances not including the Current Series 1 Class A Advance is calculated by (A) dividing (x) the aggregate Principal Receipts received in relation to the Loans during the PPR Period ending on the PPR Date which is the same as, or if not the same, the London Business Day immediately preceding, the Relevant Calculation Date by (y) the aggregate outstanding principal balance of the Loans on the immediately preceding Calculation Date; (B) aggregating the result of the calculation in (A) with the results of the equivalent calculation made on each of the 11 most recent PPR Dates; and (C) dividing such aggregated result by 12. The Principal Payment Rate for the Current Series 1 Class A Advance is calculated by dividing (x) the aggregate Principal Receipts received in relation to the Loans during the PPR Period ending on the PPR Date which is the same as, or if not the same, the London Business Day immediately preceding, the Relevant Calculation Day by (y) the aggregate outstanding principal balance of the Loans on the immediately preceding Calculation Date.

**Relevant Accumulation Amount** means the amount of funds to be accumulated over a Cash Accumulation Period in order to repay a Bullet Term Advance or a Scheduled Amortisation Instalment on its Scheduled Repayment Date whether or not actually repaid on that Scheduled Repayment Date.

**Repayment Requirement** means on a Calculation Date the amount, if any, by which:

- (a) the aggregate of all amounts that will be payable by Funding on the next Funding Interest Payment Date as described in items (c) to (f) (inclusive) of the Funding Pre-Enforcement Principal Priority of Payments under – *Application of Funding Available Principal Receipts prior to the occurrence of a Trigger Event or enforcement of the Funding Security or service on each Relevant Issuer of a Note Enforcement Notice* below on the basis:
  - (i) that there would be no deferral of Term Advances pursuant to Rule (3) of the Funding Application of Principal Rules (but without prejudice to the application of Rules (1) and (2), where applicable);
  - (ii) that Term Advances will be treated as due and payable if they are already due and payable, or would become due and payable on or before the next Funding Interest Payment Date if the Funding Available Principal Receipts were paid to Funding on the following Distribution Date; and
  - (iii) excluding amounts due and payable in respect of Bullet Term Advances and Scheduled Amortisation Term Advances,exceeds the sum of:
  - (b) (i) the amounts standing to the credit of the Funding Principal Ledger (excluding amounts standing to the credit of the Cash Accumulation Ledger) as at the last Funding Interest Payment Date (which amount was not distributed on that Interest Payment Date to the Relevant Issuer); and (ii) the sum of the amounts paid to Funding on a previous Distribution Date during the relevant Interest Period except in respect of a Cash Accumulation Requirement.

**Scheduled Amortisation Instalment** means that part of a Scheduled Amortisation Term Advance that is payable on each of the Scheduled Repayment Dates of that Scheduled Amortisation Term Advance.

**Scheduled Amortisation Term Advance** means a Term Advance that is scheduled to be repaid in instalments on specified Scheduled Repayment Dates. As at the date of this Offering Circular, the Scheduled Amortisation Term Advances are set out in the table above.

**Scheduled Repayment Date** means the date that a Cash Accumulation Term Advance is scheduled to be repaid. As at the date of this Offering Circular, the Scheduled Repayment Dates for the Relevant Issuers are set out in the table above.

**Trigger Event** means an Asset Trigger Event and/or a Non-Asset Trigger Event, as the case may be.

***Mortgages Trustee Distribution of Principal Receipts after the occurrence of an Asset Trigger Event***

An **Asset Trigger Event** will occur when an amount is debited to the AAA Principal Deficiency Sub Ledger. The terms of the Asset Trigger Event may change if the Issuer grants an Additional Term



Advance to Funding or if Funding enters into any New Intercompany Loan Agreement with a New Issuer. Noteholders' prior consent to such changes will not be obtained if the Rating Agencies confirm in writing to the Security Trustee that the then current ratings of the existing Notes would not be adversely affected thereby.

After the occurrence of an Asset Trigger Event, all Principal Receipts will be allocated and distributed *pro rata* and *pari passu* between Funding and the Seller on each Distribution Date according to the Funding Share Percentage of the Trust Property and the Seller Share Percentage of the Trust Property, respectively until the Funding Share of the Trust Property is zero. When the Funding Share of the Trust Property is zero, the remaining Principal Receipts (if any) will be allocated to the Seller.

#### ***Mortgages Trustee Distribution of Principal Receipts after the occurrence of a Non-Asset Trigger Event***

A **Non-Asset Trigger Event** will occur if: (i) a Seller Insolvency Event occurs; or (ii) the Administration Standard is breached and a delegate administrator is not appointed within one month; or (iii) the Seller Share is equal to or less than the Minimum Seller Share; or (iv) the outstanding principal balance of Loans constituting the Trust Property at any time during the period from and including the Issue Date to but excluding the Interest Payment Date in May 2006 is less than £5,750,000,000 or, during the period from and including the Interest Payment Date in May 2006 to but excluding the Interest Payment Date in May 2008 is less than £4,750,000,000 or, during the period from and including the Interest Payment Date in May 2008 to but excluding the Interest Payment Date in May 2010 is less than £4,000,000,000.

After the occurrence of a Non-Asset Trigger Event (where an Asset Trigger Event has not occurred), all Principal Receipts will be allocated and distributed to Funding until the Funding Share of the Trust Property is zero.

The terms of a Non-Asset Trigger Event may change if the Issuer grants an Additional Term Advance to Funding or if Funding enters into any New Intercompany Loan Agreement. Noteholders' prior consent to such changes will not be obtained if the Rating Agencies confirm in writing to the Security Trustee that the then current ratings of the existing Notes would not be adversely affected thereby.

#### **Distribution of Funding Available Principal Receipts prior to enforcement of the Funding Security**

##### *Definition of Funding Available Principal Receipts*

**Funding Available Principal Receipts** will be on each Loan Determination Date an amount equal to the aggregate of:

- (a) all Principal Receipts received by Funding during the Interest Period ending on the immediately following Funding Interest Payment Date (the **Funding Principal Receipts**);
- (b) all other Funding Principal Receipts standing to the credit of the Cash Accumulation Ledger which are to be applied on the next Funding Interest Payment Date to repay a Bullet Term Advance and/or, subject to Rule (3) of the Funding Application of Principal Rules below, a Scheduled Amortisation Instalment, or to make a payment under item (a) of the Funding Pre-Enforcement Principal Priority of Payments and, if such Funding Interest Payment Date occurs on or after the occurrence of a Trigger Event, the remainder of such receipts standing to the credit of the Cash Accumulation Ledger;
- (c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h), (j) and (l) in the Funding Pre-Enforcement Revenue Priority of Payments on the immediately following Funding Interest Payment Date; and
- (d) in so far as available and needed to make permitted payments of principal in respect of any Cash Accumulation Term Advance only, the respective amounts standing to the credit of the General Reserve Ledger (but less any amounts applied or to be applied on the immediately following Funding Interest Payment Date in payment of interest and other revenue expenses as set out above in items (a) to (m) inclusive of the Funding Pre-Enforcement Revenue Priority of Payments) plus any amounts which will be credited to the General Reserve Fund under item (a) of the relevant Funding Pre-Enforcement Principal Priority of Payments,

less

- (2) if Funding enters into New Intercompany Loan Agreements, the latest Interest Payment Date specified by Funding by notice in writing to the Seller,

the Seller will undertake to use best efforts to offer to sell to the Mortgages Trustee and the Mortgages Trustee will undertake to use best efforts to acquire from the Seller and hold pursuant to the terms of the Mortgages Trust Deed, sufficient New Loans and their Related Security so that the aggregate principal amount outstanding of Loans constituting the Trust Property is not less than £4,000,000,000 (or such other amount specified by Funding in the notice referred to above), PROVIDED THAT the Seller shall not be obliged to sell to the Mortgages Trustee, and the Mortgages Trustee shall not be obliged to acquire, New Loans and their Related Security if in the opinion of the Seller the sale to the Mortgages Trustee of New Loans and their Related Security would adversely affect the business of the Seller.

*Title to the Mortgages, registration and notifications*

The completion of the transfer or conveyance of the Loans and Related Security (and where appropriate their registration) to the Mortgages Trustee is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Mortgages Trustee will not (except as stated below) be given to any Borrower.

The transfers to the Mortgages Trustee will be completed on the third London Business Day after the earliest of the following:

- (a) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) below, ceases or, through an authorised action of the board of directors of the Seller, threatens to cease to carry on all or substantially all of its business or its mortgages administration business or the Seller is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £750 was read as a reference to £10 million), Section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words “for a sum exceeding £10 million” were inserted after the words “extract registered bond” and “extract registered protest”) and 123(2) of the Insolvency Act 1986 (as that Section may be amended); or
- (b) an order is made or an effective resolution is passed for the winding-up of the Seller except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Mortgages Trustee and Funding in writing (such approval not to be unreasonably withheld or delayed); or
- (c) proceedings shall be initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Seller is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not, in the reasonable opinion of the Mortgages Trustee and Funding, being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Seller, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Seller and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days of its commencement, or the Seller (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness,

each of (a), (b) and (c) above being a **Seller Insolvency Event**.

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

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

*Representations and Warranties*

The Seller has represented and warranted (or, as the case may be, will represent and warrant) in the Mortgage Sale Agreement to the effect that, *inter alia*:

- (a) each Mortgage is a valid and subsisting first charge by way of legal mortgage or (in Scotland) first ranking standard security on the relevant Property, subject only (in appropriate cases) to registration or recordings at the Land Registry or the Registers of Scotland which, where requisite, have been made or are pending and in relation to such cases, the Seller is not aware of any caution, notice, inhibition or any other matter that would prevent such registration or recording;
- (b) each Loan and its Related Security is valid, binding and enforceable in accordance with its terms and is non-cancellable, in each case except:
  - (i) any term in any Loan, or in its Related Security, in each case, by virtue of the UTCCR; and
  - (ii) any amount advanced under a Flexible Loan, or under a Further Advance, and any Related Security in relation to such amount, in each case, by virtue of the CCA;
- (c) to the best of the Seller's knowledge, none of the terms in any Loan, or in its Related Security, is not binding by virtue of its being unfair within the meaning of the UTCCR; in this warranty and in the previous warranty, reference to any legislation shall be construed as a reference to that legislation as amended, extended or re-enacted from time to time;
- (d) each Initial Advance at the time of originating the Loan exceeded:
  - (i) £15,000 in the case of Loans originated before 1st May, 1998; or
  - (ii) £25,000 in the case of Loans originated after 30th April, 1998;
- (e) prior to the taking of each Mortgage, the Seller:
  - (i) instructed the Seller's solicitor, licensed conveyancer or (in Scotland) qualified conveyancer (including, in the case of Re-Mortgages (as defined below) any relevant volume legal supplier) to carry out an investigation of title to the relevant Property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Seller as are set out in the Sellers' Standard Instructions to Solicitors or, since their incorporation into the Seller's Standard Documentation, the General Instructions to Solicitors or the Lenders' Handbook both as are contained in the Seller's Standard Documentation or, in the case of Re-Mortgages where a volume legal supplier is used, the standing arrangements between the Seller and the relevant volume legal supplier (or such comparable or successor instructions and/or guidelines and/or arrangements as may for the time being be in place), subject in each case only to such exceptions and/or variations as would be acceptable to a reasonable, prudent residential mortgage lender;
  - (ii) (except in the case of a Re-Mortgage) received a report from the solicitor, licensed conveyancer or qualified conveyancer referred to in paragraph (i) above relating to such Property with regard to the title to such Property (a **Certificate of Title**) the contents of which were such as would be acceptable to a reasonable, prudent residential mortgage lender; and
  - (iii) in the case of a Re-Mortgage received from the solicitor, licensed conveyancer or qualified conveyancer referred to in paragraph (i) above, such evidence with regard to the title to such Property as is set out in the relevant instructions, guidelines and/or arrangements referred to in paragraph (i) above (which may but need not be a Certificate of Title as defined in paragraph (ii) above), subject only to such exceptions and/or variations as would be acceptable to a reasonable, prudent residential mortgage lender;
- (f) (in relation to those Loans originated prior to 1st January, 2002 where domestic mortgage indemnity insurance was required) the domestic mortgage indemnity policies are in full force and effect in relation to Loans in the Portfolio and all premiums thereon have been paid;