RMS 22

Residential Mortgage Securities 22 Plc

(Incorporated in England and Wales with limited liability under Registered Number 5812869)

£100,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2031
U.S$320,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2031
€64,400,000 Class A1c Mortgage Backed Floating Rate Notes due 2031
€116,200,000 Class A2c Mortgage Backed Floating Rate Notes due 2039
£207,600,000 Class A3a Mortgage Backed Floating Rate Notes due 2039
€105,000,000 Class A3c Mortgage Backed Floating Rate Notes due 2039
£43,300,000 Class M1a Mortgage Backed Floating Rate Notes due 2039
€15,000,000 Class M1c Mortgage Backed Floating Rate Notes due 2039
£11,000,000 Class M2a Mortgage Backed Floating Rate Notes due 2039
€22,400,000 Class M2c Mortgage Backed Floating Rate Notes due 2039
£15,000,000 Class B1a Mortgage Backed Floating Rate Notes due 2039
€13,100,000 Class B1c Mortgage Backed Floating Rate Notes due 2039
£16,000,000 Class B2 Mortgage Backed Floating Rate Notes due 2039
£12,550,000 Class C Mortgage Backed Floating Rate Notes due 2039

Notes	Initial Principal Amount	Initial Interest Rate	Maturity Date	Issue Price to Investors
Class A1a with Ordinary A1a Coupons, Detachable A1a-2009 Coupons and Detachable A1a-2011 Coupons	£100,000,000	LIBOR + 0.08%[1]	2031	100% plus a premium
Class A1b with Ordinary A1b Coupons, Detachable A1b-2009 Coupons and Detachable A1b-2011 Coupons	U.S.$320,000,000	USD LIBOR + 0.07%[1]	2031	100% plus a premium
Class A1c with Ordinary A1c Coupons, Detachable A1c-2009 Coupons and Detachable A1c-2011 Coupons	€64,400,000	EURIBOR + 0.08%[1]	2031	100% plus a premium
Class A2c with Ordinary A2c Coupons, Detachable A2c-2009 Coupons and Detachable A2c-2011 Coupons	€116,200,000	EURIBOR + 0.13%[1]	2039	100% plus a premium
Class A3a with Ordinary A3a Coupons, Detachable A3a-2009 Coupons and Detachable A3a-2011 Coupons	£207,600,000	LIBOR + 0.18%[1]	2039	100% plus a premium
Class A3c with Ordinary A3c Coupons, Detachable A3c-2009 Coupons and Detachable A3c-2011 Coupons	€105,000,000	EURIBOR + 0.18%[1]	2039	100% plus a premium
Class M1a	£43,300,000	LIBOR + 0.30%	2039	100%
Class M1c	€15,000,000	EURIBOR +0.30%	2039	100%
Class M2a	£11,000,000	LIBOR + 0.50%	2039	100%
Class M2c	€22,400,000	EURIBOR +0.50%	2039	100%
Class B1a	£15,000,000	LIBOR +0.90%	2039	100%
Class B1c	€13,100,000	EURIBOR + 0.90%	2039	100%
Class B2	£16,000,000	LIBOR + 3.75%	2039	100%
Class C	£12,550,000	LIBOR + 3.25%	2039	100%
Mortgage Early Redemption Certificates	N/A	N/A	2039	N/A

1 The Detachable A Coupons carry an additional right to interest (as referred to below) as provided for in Condition 4. The Detachable A1a-2009 Coupons, Detachable A1b-2009 Coupons, Detachable A1c-2009 Coupons, Detachable A2c-2009 Coupons, Detachable A3a-2009 Coupons and Detachable A3c-2009 Coupons shall accrue interest from the Initial Issue Date and shall cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full or the Interest Payment Date in November 2009. The Detachable A1a-2011 Coupons, Detachable A1b-2011 Coupons, Detachable A1c-2011 Coupons, Detachable A2c-2011 Coupons, Detachable A3a-2011 Coupons and Detachable A3c-2011 Coupons will accrue interest from the Interest Payment Date in November 2009 and shall cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full or the Interest Payment Date in November 2011.

ABN AMRO **BARCLAYS CAPITAL**

Credit Suisse **Morgan Stanley** **The Royal Bank of Scotland** **WestLB AG**

Dated 5 July 2006

The Mortgage Backed Floating Rate Notes due 2031 and 2039 of Residential Mortgage Securities 22 plc (the "**Issuer**" will comprise £100,000,000 Class A1a Notes (the "**A1a Notes**"), U.S.$320,000,000 Class A1b Notes (the "**A1b Notes**"), €64,400,000 Class A1c Notes (the "**A1c Notes**" and, together with the A1a Notes and the A1b Notes, the "**A1 Notes**"), €116,200,000 Class A2c Notes (the "**A2c Notes**" or "**A2 Notes**", £207,600,000 Class A3a Notes (the "**A3a Notes**"), €105,000,000 Class A3c Notes (the "**A3c Notes**" and, together with the A3a Notes, the "**A3 Notes**" and the A3 Notes together with the A1 Notes and the A2 Notes, the "**A Notes**"), £43,300,000 Class M1a Notes (the "**M1a Notes**"), €15,000,000 Class M1c Notes (the "**M1c Notes**" and together with the M1a Notes, the "**M1 Notes**"), £11,000,000 Class M2a Notes (the "**M2a Notes**"), €22,400,000 Class M2c Notes (the "**M2c Notes**" and, together with the M2a Notes, the "**M2 Notes**" and the M2 Notes together with the M1 Notes, the "**M Notes**"), and £15,000,000 Class B1a Notes (the "**B1a Notes**"), €13,100,000 Class B1c Notes (the "**B1c Notes**", and together with the B1a Notes, the "**B1 Notes**"), £16,000,000 Class B2 Notes (the "**B2 Notes**" and together with the B1 Notes, the "**B Notes**") and £12,550,000 Class C Notes (the "**C Notes**" and, together with the A Notes, the M Notes and the B Notes, the "**Notes**" and the holders thereof the "**Noteholders**").

Application has been made to the Irish Financial Services Regulatory Authority ("**IFSRA**"), as competent authority under Directive 2003/71/EC, for this Prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes and the MERCs (as defined below) to be admitted to the official list (the "**Official List**") and trading on its regulated market. Copies of this document will be available at the specified office set out below of the Issuer and each of the Agents (as defined herein).

Interest is payable on the Notes (as defined above) on the 14th day in November 2006 and thereafter quarterly in arrear on the 14th day in February, May, August and November in each year (subject to adjustment for non-Business Days) (each an "**Interest Payment Date**"). Interest is payable on each Interest Payment Date:

(i) on the A1a Notes and the A3a Notes:

(a) at an annual rate of the London Interbank Offered Rate ("**LIBOR**") for three month sterling deposits ("**Note LIBOR**") or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of Note LIBOR for four month and five month sterling deposits ("**Sterling Interpolation**") plus, in the case of the A1a Notes, 0.08 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note LIBOR plus 0.16 per cent. per annum and in the case of the A3a Notes, 0.18 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note LIBOR plus 0.36 per cent. per annum (the "**Ordinary A1a Coupons**" and "**Ordinary A3a Coupons**" respectively);

(b) (1) from the Initial Issue Date until the Interest Payment Date falling in November 2009, at an annual rate of 1.35 per cent. per annum in the case of the A1a Notes and the A3a Notes (calculated on the Principal Amount Outstanding thereof) (the "**Detachable A1a-2009 Coupons**" and "**Detachable A3a-2009 Coupons**" respectively) and (2) from the Interest Payment Date falling in November 2009 until the Interest Payment Date falling in November 2011, at an annual rate of 1.35 per cent. per annum in the case of the A1a Notes and the A3a Notes (calculated on the Principal Amount Outstanding thereof) (the "**Detachable A1a-2011 Coupons**" and "**Detachable A3a-2011 Coupons**" respectively, the Detachable A1a-2009 Coupons together with the Detachable A1a-2011 Coupons being the "**Detachable A1a Coupons**"; the Detachable A3a-2009 Coupons together with the Detachable A3a-2011 Coupons being the "**Detachable A3a Coupons**");

(ii) on the A1b Notes:

(a) at an annual rate of LIBOR for deposits in U.S. dollars ("**USD LIBOR**") for three month dollar deposits ("**Note USD LIBOR**") or, in the case of the first Interest Period (as defined below), at an annual rate obtained upon interpolation of four month and five month USD LIBOR plus, in the case of the A1b Coupons, 0.07 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter Note USD LIBOR plus 0.14 per cent. per annum (the "**Ordinary A1b Coupons**"); and

(b) (1) from the Initial Issue Date until the Interest Payment Date falling in November 2009, at an annual rate of 1.35 per cent. per annum in the case of the A1b Notes (calculated on the Sterling Equivalent of the Principal Amount Outstanding thereof) (the "**Detachable A1b-2009 Coupons**") and (2) from the Interest Payment Date falling in November 2009 until the Interest Payment Date falling in November 2011, at an annual rate of 1.35 per cent. per annum in the case of the A1b Notes (calculated on the Sterling Equivalent of the Principal Amount Outstanding thereof) (the "**Detachable A1b-2011 Coupons**"), the Detachable A1b-2009 Coupons together with the Detachable A1b-2011 Coupons being the "**Detachable A1b Coupons**".

(iii) on the A1c Notes, the A2c Notes and the A3c Notes:

(a) at an annual rate of the Eurozone Interbank Offered Rate ("**EURIBOR**") for three month Euro deposits ("**Note EURIBOR**") or, in the case of the first Interest Period, at an annual rate obtained upon interpolation of Note EURIBOR for four month and five month Euro deposits ("**EURIBOR Interpolation**") plus in the case of the A1c Notes, 0.08 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note EURIBOR plus 0.16 per cent. per annum, in the case of the A2c Notes, 0.13 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note EURIBOR plus 0.26 per cent. per annum and in the case of the A3c Notes, 0.18 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note EURIBOR plus 0.36 per cent. per annum (the "**Ordinary A1c Coupons**", "**Ordinary A2c** Coupons" and "**Ordinary A3c Coupons**" respectively, and together with the Ordinary A1a Coupons, the Ordinary A3a Coupons and the Ordinary A1b Coupons, the "**Ordinary A Coupons**");

(b) (1) from the Initial Issue Date until the Interest Payment Date falling in November 2009, at an annual rate of 1.35 per cent. per annum in the case of the A1c Notes, the A2c Notes and A3c Notes (calculated on the Sterling Equivalent of the Principal Amount Outstanding thereof) (the "**Detachable A1c-2009 Coupons**", "**Detachable A2c-2009 Coupons** and "**Detachable A3c-2009 Coupons**" respectively) and (2) from the Interest Payment Date falling in November 2009 until the Interest Payment Date falling in November 2011, at an annual rate of 1.35 per cent. per annum in the case of the A1c Notes, the A2c Notes and A3c Notes (calculated on the Sterling Equivalent of the Principal Amount Outstanding thereof) (the "**Detachable A1c-2011 Coupons**", the "**Detachable A2c-2011 Coupons**" and "**Detachable A3c-2011 Coupons**" respectively, the Detachable A1c-2009 Coupons together with the Detachable A1c-2011 Coupons being the "**Detachable A1c Coupons**" and together with the Detachable A1a Coupons and the Detachable A1b Coupons, the "**Detachable A1 Coupons**" the Detachable A2c-2009 Coupons together with the Detachable A2c-2011 Coupons being the "**Detachable A2c Coupons**" and together with the Detachable A3a Coupons, and the Detachable A3c Coupons, the "**Detachable A3 Coupons**" and the Detachable A2 Coupons together with the Detachable A1 Coupons being the "**Detachable A Coupons**");

(iv) on the M1a Notes and the M2a Notes, at an annual rate of Note LIBOR or, in the case of the first Interest Period, at an annual rate obtained upon Sterling Interpolation plus 0.30 per cent. per annum in the case of the M1a Notes and 0.50 per cent. per annum in the case of the M2a Notes, in each case, until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note LIBOR plus 0.60 per cent. per annum in the case of the M1a Notes and 1.00 per cent. per annum in the case of the M2a Notes (the "**M1a Coupons**" and the "**M2a Coupons**" respectively);

(v) on the M1c Notes and the M2c Notes, at an annual rate of Note EURIBOR or, in the case of the first Interest Period, at an annual rate obtained upon EURIBOR Interpolation plus 0.30 per cent. per annum in the case of the M1c Notes and 0.50 per cent. per annum in the case of the M2c Notes, in each case, until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note EURIBOR plus 0.60 per cent. per annum in the case of the M1c Notes and 1.00 per cent. per annum in the case of the M2c Notes (the "**M1c Coupons**" and "**M2c Coupons**" respectively and together, the M1a Coupons and the M1c Coupons shall constitute the "**M1 Coupons**" and together, the M2a Coupons and M2c Coupons shall constitute the "**M2 Coupons**" and together, the M1 Coupons and M2 Coupons shall constitute the "**M Coupons**");

(vi) on the B1a Notes and the B2 Notes, at an annual rate of Note LIBOR or, in the case of the first Interest Period, at an annual rate obtained upon Sterling Interpolation plus 0.90 per cent. per annum in the case of the B1a Notes and 3.75 per cent. per annum in the case of the B2 Notes, in each case, until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note LIBOR plus 1.80 per cent. per annum in the case of the B1a Notes and 4.75 per cent. per annum in the case of the B2 Notes (the "**B1a Coupons**" and the "**B2 Coupons**" respectively);

(vii) on the B1c Notes, at an annual rate of Note EURIBOR or, in the case of the first Interest Period, at an annual rate obtained upon EURIBOR Interpolation plus 0.90 per cent. per annum until the Interest Payment Date falling in November 2013 and thereafter at an annual rate of Note EURIBOR plus 1.80 per cent. per annum (the "**B1c Coupons**" and together with the B1a Coupons, the "**B1 Coupons**" and together, the B1 Coupons and B2 Coupons shall constitute the "**B Coupons**"; and

(viii) on the C Notes, at an annual rate of Note LIBOR or, in the case of the first Interest Period, at an annual rate obtained upon Sterling Interpolation plus 3.25 per cent. per annum (the "**C Coupons**" and, together with the A Coupons, the M Coupons and the B Coupons, the "**Coupons**").

Each of the 4 Mortgage Early Redemption Certificates due 2039 (the "**MERCs**" and the holders thereof the "**MERC Holders**") will pay on each Interest Payment Date an amount (the "**MER Distribution**") equal to the total of Mortgage Early Redemption Amounts (as defined below) (if any) received by the Issuer in the Determination Period (as defined below) immediately preceding the relevant Interest Payment Date divided by the number of MERCs existing on the Determination Date (as defined below) immediately preceding the relevant Interest Payment Date.

The period from (and including) an Interest Payment Date (or the Initial Issue Date, as defined below) to (but excluding) the next (or first, as the case may be) Interest Payment Date is an "**Interest Period**". The rate of interest payable from time to time (the "**Rate of Interest**") in respect of the Notes and the Coupons will be determined in respect of the A1b Notes (the "**U.S.$ Notes**"), 2 Business Days prior to each Interest Payment Date, in respect of the A1c Notes, A2c Notes, A3c Notes, M1c Notes, M2c Notes and B1c Notes (together the "**Euro Notes**"), 2 Business Days prior to each Interest Payment Date and in respect of the A1a Notes, A3a Notes, M1a Notes, M2a Notes, B1a Notes, B2 Notes and C Notes (together, the "**Sterling Notes**") on each Interest Payment Date, or, in the case of the first Interest Period, the Initial Issue Date (each an "**Interest Determination Date**"). The MER Distribution will be calculated on the 3rd Business Day before each Interest Payment Date (each such date a "**Determination Date**"). The period from (and including) a

Determination Date (or the Initial Issue Date) to (but excluding) the next (or first, as the case may be) Determination Date is a "**Determination Period**".

Holders of beneficial interests in Notes, Detachable A Coupons or MERCs held directly with The Depository Trust Company ("**DTC**") or through its participants and denominated, or on which payments are otherwise due, in a currency other than U.S. dollars must give advance notice to HSBC Bank USA, National Association acting as Depository (as defined below) 15 days prior to each Interest Payment Date that they wish payments on such Notes, Detachable A Coupons or MERCs to be made to them in sterling or, as appropriate, Euro in respect of such instruments outside DTC. If such instructions are not given, sterling or, as appropriate, Euro payments on such Notes, Detachable A Coupons and MERCs will be exchanged for dollars prior to their receipt by DTC and the affected holders will receive dollars on the relevant Interest Payment Date. (See "*The Depository Agreement — Exchange Rate Agency Agreement and Denomination of Payments*").

Each class of Notes and Detachable A Coupons sold outside the United States to persons other than U.S. persons as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") ("**non-U.S. persons**"), will initially be represented by a corresponding global note in bearer form without coupons and MERCs sold outside the United States to non-U.S. persons pursuant to Regulation S will initially each be represented by a registered certificate (each a "**Reg S Global Instrument**"). Each class of Notes and Detachable A Coupons sold within the United States and sold only to "**qualified institutional buyers**" in reliance on Rule 144A ("**Rule 144A**") under the Securities Act will initially each be represented by a corresponding global note in bearer form without coupons and MERCs sold within the United States in reliance on Rule 144A under the Securities Act will initially be represented by a registered instrument (each a "**Rule 144A Global Instrument**"). The Reg S Global Instruments and the Rule 144A Global Instruments (collectively, the "**Depository Global Instruments**") will be deposited with HSBC Bank USA, National Association as the book-entry depository (in such capacity, the "**Depository**") on or about 7 July 2006 (the "**Initial Issue Date**") pursuant to a depository agreement (the "**Depository Agreement**") expected to be dated the Initial Issue Date between the Issuer, the Depository and the Trustee, and will be treated as issued in registered form for United States federal income tax purposes. No temporary documents of title will be issued.

The Notes will be secured, *inter alia*, by first fixed charges and security over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages (each as defined below) and certain other collateral security. The MERCs will be secured only by cash amounts received by the Issuer in respect of Mortgage Early Redemption Amounts. Prior to redemption on the Interest Payment Date falling in November 2031 in respect of the A1 Notes and November 2039 in respect of the A2 Notes, A3 Notes, M Notes, B Notes and C Notes, the Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase any Notes, Coupons or MERCs.

All references herein to "**Notes**" and "**Noteholders**" are references to the specified Notes and the Coupon or Coupons attached, or originally attached, to such Notes and the holders thereof. For the avoidance of doubt, all Detachable A Coupons will continue to benefit from, and be subject to, the same security and priority of payments as was the case prior to any separation from the relevant Class A Note notwithstanding that any interest entitlement has been separated from the principal entitlement in respect of the relevant Note.

The Notes, Detachable A Coupons and MERCs will be obligations solely of the Issuer and will not be guaranteed by, nor be the responsibility of, any other entity. In particular, the Notes, Detachable A Coupons and MERCs will not be obligations of, and will not be guaranteed by, Kensington Mortgages Limited ("**KML**"), Kensington Group plc ("**KG**"), or any other subsidiary of KG, Homeloan Management Limited ("**HML**"), Western Mortgage Services Limited ("**WMS**" or the "**Standby Servicer**"), Barclays Bank PLC acting through its branch at 5 The North Colonnade, Canary Wharf, London E14 4BB ("**Barclays**") as

account bank (the "**Account Bank**"), GIC provider under the GIC and as liquidity facility provider under the Liquidity Facility and as counterparty under the Currency Swap Agreement, Interest Rate Cap Agreement and Basis Swap Agreement, Barclays, The Royal Bank of Scotland plc ("**RBS**") and ABN AMRO Bank N.V ("**ABN AMRO**") as counterparties under the three Fixed Rate Swap Agreements, Capita Trust Company Limited (the "**Trustee**", which expression includes such company and all other persons for the time being acting under the Trust Deed or under the Deed of Charge in the capacity of trustee or trustees), ABN AMRO and Barclays Capital ("**Barclays Capital**") as lead managers (each a "**Lead Manager**" and together the "**Managers**") or any other managers in relation to the issue of the Notes.

As a condition to the issue of the Notes, the A Notes, M Notes and B Notes (together, the "**Rated Notes**"), are to be rated by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Ltd ("**Fitch**" and, together with S&P and Moody's, the "**Rating Agencies**"). The A1 Notes are each to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The A2 Notes are each to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The A3 Notes are each to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The M1 Notes are each to be rated at least AA by S&P, Aa3 by Moody's and AA by Fitch. The M2 Notes are each to be rated at least A by S&P, A3 by Moody's and A by Fitch. The B1 Notes are each to be rated at least BBB by S&P, Baa3 by Moody's and BBB by Fitch. The B2 Notes are each to be rated at least BB by S&P, Ba3 by Moody's and BB by Fitch. As a condition to the issue of the MERCs, the MERCs are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The rating of Fitch and S&P on the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Redemption Amounts actually received by the Issuer if enforceable. Moody's rating of the MERCs addresses the likelihood of receipt by MERC Holders of MER Distributions. However, Moody's assumes, without any independent investigation, (i) that payment of the corresponding Mortgage Early Redemption Amount is legally valid, binding and enforceable against the Borrowers, and (ii) that such Mortgage Early Redemption Amount is actually collected from Borrowers (as defined below), received by the Issuer and not refunded to the Borrower by the Cash/Bond Administrator. The C Notes will not be rated by the Rating Agencies. In the event that Coupons Stripping (as defined below) takes place in respect of the Detachable A Coupons, the Detachable A Coupons are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The risk characteristics of the Detachable A Coupons and the MERCs differ from those of the Notes as set out under "*Risk Factors*" below. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the Rating Agencies.

Particular attention is drawn to the section herein entitled "Risk Factors"

In this Prospectus, unless otherwise noted, all references to specified percentages of the Loans are references to those Loans as a percentage of the aggregate principal Balances of the Provisional Completion Mortgage Pool (each as defined under "*The Mortgage Pool*" below).

It is anticipated that the Depository will (i) issue a certificateless depository interest in respect of each of the Rule 144A Global Instruments to DTC or its nominee and (ii) issue a certificated depository interest in respect of the Reg S Global Instruments (each certificateless depository interest and certificated depository interest, a "**CDI**") to HSBC Bank plc as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and also Clearstream Banking, société anonyme ("**Clearstream**"), in both cases such CDIs representing 100 per cent., ownership interests in the underlying Global Instruments relating thereto. Each of DTC, Euroclear and Clearstream will record the beneficial interests in the CDIs attributable to the relevant Depository Global Instruments ("**Book-Entry Interests**"). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear, Clearstream or DTC, and their respective participants. Prior to the fortieth day after the later of the commencement of the offering and the Initial Issue

Date, beneficial interests in the Reg S Global Instruments may be held only through Euroclear or Clearstream. Except in the limited circumstances described under "*The Depository Agreement — Issuance of Definitive Instruments*", the Notes, Detachable A Coupons and the MERCs will not be available in definitive form.

It is contemplated, as set out in "*Terms and Conditions of the Notes — Coupons Stripping*" below, that the Detachable A Coupons may be separated from the A Notes at any time by crediting to the Euroclear, Clearstream or DTC account (as the case may be) of the purchaser or purchasers of the Detachable A Coupons a notional amount equal to the principal amount of the relevant A Notes from which the Detachable A Coupons were separated ("**Coupons Stripping**").

THE NOTES, DETACHABLE A COUPONS AND MERCS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "**COMMISSION**"), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE NOTES, DETACHABLE A COUPONS AND MERCS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAWS. THE NOTES, DETACHABLE A COUPONS AND MERCS MAY NOT BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE NOTES, DETACHABLE A COUPONS AND MERCS WILL BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO "**QUALIFIED INSTITUTIONAL BUYERS**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE. THE NOTES, DETACHABLE A COUPONS AND MERCS WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES, DETACHABLE A COUPONS OR MERCS UNDER STATE OR FEDERAL SECURITIES LAW. THE NOTES, DETACHABLE A COUPONS AND MERCS CANNOT BE RESOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES AND TRANSFERS, SEE "*THE DEPOSITORY AGREEMENT — TRANSFERS AND TRANSFER RESTRICTIONS*".

Each initial and subsequent purchaser of Notes, Detachable A Coupons or MERCs, as the case may be, will be deemed, by its acceptance of such Notes, Detachable A Coupons or MERCs to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See "*Notice to Investors*".

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance is or can be given by the Managers or the Trustee as to the adequacy, accuracy or completeness of such information and this Prospectus does not constitute and shall not be construed as any representation or warranty by the Managers as to the adequacy, accuracy or completeness of such information contained herein. Neither the Managers nor the Trustee have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own

examination of the terms of this Prospectus, including the merits and risks involved. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes, Detachable A Coupons and MERCs is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes, Detachable A Coupons and MERCs is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on, this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Managers.

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

The Issuer, the Managers and the Trustee make no representation to any prospective investor or purchaser of the Notes, Detachable A Coupons or MERCs regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations and prospective investors should consult their legal advisers to determine whether and to what extent the investment in the Notes, Detachable A Coupons or MERCs constitute a legal investment for them. (See "*United States Legal Investment Considerations*" below).

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (I) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (II) SUCH PERSON HAS NOT RELIED ON THE MANAGERS OR ANY PERSON AFFILIATED WITH THE MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (III) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED, AND (IV) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES, DETACHABLE A COUPONS AND MERCS. THIS DESCRIPTION IS LIMITED TO THE UNITED STATES FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE UNITED STATES FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE NOTES, DETACHABLE A COUPONS AND MERCS, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD

SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Table of Contents

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Notes, Detachable A Coupons or MERCs. The distribution of this Prospectus and the offering of the Notes, Detachable A Coupons and MERCs in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. For a description of certain further restrictions on offers and sales of the Notes, Detachable A Coupons and MERCs and distribution of this Prospectus, see "*Purchase and Sale*" and "*Notice to Investors*" below.

This Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus and reflect significant assumptions and subjective judgements by the Issuer or KG, and these assumptions and judgements may or may not prove to be correct. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in the United Kingdom or elsewhere. There can be no assurance that the future events as anticipated by the Issuer or KG will occur, and prospective purchasers of the Notes, Detachable A Coupons or MERCs are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties many of which are beyond the control of the Issuer or KG. Neither the Managers, the Trustee, nor any of their affiliates nor any person acting on their behalf has attempted to verify any such statements or makes any representation, express or implied, with respect thereto.

No person has been authorised to give any information or to make any representation concerning the issue of the Notes, Detachable A Coupons and MERCs other than as expressly provided in this Prospectus.

Nevertheless, if any such information is given by any broker, seller or any other person, it must not be relied upon as having been authorised by the Issuer, the Trustee or the Managers. Neither the delivery of this Prospectus nor any offer, sale or solicitation made in connection herewith shall, in any circumstances, imply that the information contained herein is correct, complete or adequate at any time subsequent to the date of this Prospectus.

Payments of interest and principal in respect of the Notes, payments of interest in respect of the Detachable A Coupons and payments of MER Distributions in respect of the MERCs will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts thereof. References in this document to "**£**", "**pounds**" or "**sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this document to "**U.S.$**" or "**U.S. dollars**" are to the lawful currency for the time being of the United States of America (hereafter, the "**United States**"). References in this document to "**€**" or "**Euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

IN CONNECTION WITH THE ISSUE OF THE A NOTES, M NOTES AND B NOTES, BARCLAYS CAPITAL OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT A NOTES, M NOTES OR B NOTES (PROVIDED THAT, THE AGGREGATE PRINCIPAL AMOUNT OF SUCH NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT CLASS OF NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE A NOTES, M NOTES OR B NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT BARCLAYS CAPITAL OR ANY PERSON ACTING FOR IT WILL UNDERTAKE STABILISING ACTION. ANY STABILISING ACTION MAY BEGIN ON OR AFTER THE INITIAL ISSUE DATE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END

NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE INITIAL ISSUE DATE AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE A NOTES, M NOTES AND B NOTES.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, Detachable A Coupons and MERCs pursuant to Rule 144A, the Issuer will be required to furnish upon request of a holder of such a Note, Detachable A Coupon or MERC or of any beneficial owner thereof or a prospective purchaser designated by such holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

NOTICE TO INVESTORS

Offers and Sales by the Initial Purchasers

The Notes, Detachable A Coupons and MERCs (including interests therein represented by a Rule 144A Global Instrument, Rule 144A Definitive Notes or Rule 144A Definitive MERCs (the "**Rule 144A Definitive Instruments**")) have not been and will not be registered under the Securities Act or any other state securities laws. The Notes, Detachable A Coupons and MERCs may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes and MERCs (and any interests therein) are being offered and sold: (1) in the United States only to qualified institutional buyers within the meaning of Rule 144A ("**QIBs**") in transactions exempt from the registration requirements of the Securities Act and (2) outside the United States to non-U.S. Persons in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of the Notes, Detachable A Coupons and MERCs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Investors' Representations and Restrictions on Resale

Each purchaser of the Notes, Detachable A Coupons or MERCs (including purchasers of any interests therein represented by a Rule 144A Global Instrument or a Rule 144A Definitive Instrument) will be deemed to have represented and agreed and acknowledged as follows (references to Notes, Detachable A Coupons and MERCs below include interests therein represented by a Rule 144A Global Instrument or a Rule 144A Definitive Instrument):

(1) (A) it is a QIB and is acquiring such Notes, Detachable A Coupons or MERCs for its own account or for the account of a QIB and each beneficial owner of such Notes, Detachable A Coupons or MERCs has been advised that the sale of such Notes, Detachable A Coupons or MERCs to it is being made in reliance on Rule 144A or (B) it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S), it is not an affiliate of the Issuer or a person acting on behalf of such affiliate and it is acquiring such Notes, Detachable A Coupons or MERCs for its own account or for the account of a non-U.S. Person in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S;

(2) such Notes, Detachable A Coupons or MERCs are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, Detachable A Coupons or MERCs then such Notes, Detachable A Coupons or MERCs may be offered, resold, pledged or otherwise transferred only (i) to the Issuer, (ii) to a person whom the seller reasonably believes is a QIB acquiring the Notes, Detachable A Coupons or MERCs (as the case may be) for its own account or for the account of a QIB to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (iii) pursuant to an exemption from registration provided by Rule 144 (if available), (iv) to a non-U.S. Person acquiring the Notes, Detachable A Coupons or MERCs (as the case may be) in a transaction outside the United States pursuant to an exemption from registration provided by Regulation S or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; provided that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(3) with respect to purchasers of the C Notes and MERCs, no part of the assets to be used to purchase or hold such C Notes and MERCs constitutes assets of any employee benefit plan subject to Title I of the

United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**IR Code**") or any substantially similar law, and, with respect to purchasers of the A Notes, M Notes, B Notes and the Detachable A Coupons either that (A) no part of the assets to be used to purchase or hold such Notes or Detachable A Coupons constitutes assets of any employee benefit plan subject to Title I of ERISA or Section 4975 of the IR Code or any substantially similar law or (B) part of the assets to be used to purchase or hold such Notes or Detachable A Coupons constitutes assets of one or more employee benefit plans subject to Title I of ERISA or Section 4975 of the IR Code or any substantially similar law and the use of such assets to purchase or hold such Notes or Detachable A Coupons will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the IR Code or any substantially similar law by reason of the application of a statutory or administrative exemption; and

(4) the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes, Detachable A Coupons and MERCs for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Instrument and each Rule 144A Definitive Instrument (if any). Additional copies of such notice may be obtained from the Principal Paying Agent or any Registrar or Transfer Agent.

"THIS [NOTE]/[COUPON]/[CERTIFICATE] HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS [NOTE]/[COUPON]/[CERTIFICATE] MAY BE TRANSFERRED ONLY IN PRINCIPAL AMOUNTS OF £50,000 (IF DENOMINATED IN STERLING), €50,000 (IF DENOMINATED IN EURO) OR U.S.$100,000 (IF DENOMINATED IN U.S. DOLLARS). THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS [NOTE]/[COUPON]/[CERTIFICATE], AGREES FOR THE BENEFIT OF THE ISSUER [AND THE MANAGERS] THAT THIS [NOTE]/[COUPON]/[CERTIFICATE] MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, THAT IS ACQUIRING THIS [NOTE]/[COUPON]/[CERTIFICATE] FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES ACQUIRING THIS [NOTE]/[COUPON]/[CERTIFICATE] IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND (B) WITH RESPECT TO THE C NOTES AND MERCs TO A PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD THIS

[NOTE]/[COUPON]/[CERTIFICATE] CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**IR CODE**") OR ANY SUBSTANTIALLY SIMILAR LAW AND WITH RESPECT TO THE A NOTES, M NOTES, B NOTES AND DETACHABLE A COUPONS TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA, OR SECTION 4975 OF THE CODE, OR ANY SUBSTANTIALLY SIMILAR LAW OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS [NOTE][DETACHABLE A COUPON] CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR LAW IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE IR CODE OR ANY SUBSTANTIALLY SIMILAR LAW, BY REASON OF THE APPLICATION OF A STATUTORY OR ADMINISTRATIVE EXEMPTION; PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PURCHASER'S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. THIS [NOTE]/[COUPON]/[CERTIFICATE] AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF [NOTES]/[COUPONS]/[CERTIFICATES] SENT TO THEIR REGISTERED ADDRESSES TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS [NOTE]/[COUPON]/[CERTIFICATE] TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OR RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS [NOTE]/[COUPON]/[CERTIFICATE] AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS [NOTE]/[COUPON]/[CERTIFICATE] AND ANY [NOTES]/[COUPONS]/[CERTIFICATES] ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS [NOTE]/[COUPON]/[CERTIFICATE] ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER."

Because of the foregoing restrictions, purchasers of Notes, the Detachable A Coupons and MERCs offered in the United States in reliance on Rule 144A under the Securities Act are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold in reliance on Rule 144A.

TRANSACTION SUMMARY

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

Class of Notes	**Initial Principal Balance**	**% of Total**
A1a Notes	£100,000,000	12.50
A1b Notes	U.S.$320,000,000	21.96*
A1c Notes	€64,400,000	5.54*
A2c Notes	€116,200,000	10.00*
A3a Notes	£207,600,000	25.95
A3c Notes	€105,000,000	9.04*
M1a Notes	£43,300,000	5.41
M1c Notes	€15,000,000	1.29*
M2a Notes	£11,000,000	1.37
M2c Notes	€22,400,000	1.93*
B1a Notes	£15,000,000	1.88
B1c Notes	€13,100,000	1.13*
B2 Notes	£16,000,000	2.00
Total		100.00
C Notes	£12,550,000	N/A
Initial Required Amount		0.90
Maximum Required Amount		1.35

Note:

* Sterling equivalent

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

	Class A1a Notes	Class A1b Notes	Class A1c Notes	Class A2c Notes	Class A3a Notes	Class A3c Notes	Class M1a Notes	Class M1c Notes	Class M2a Notes	Class M2c Notes	Class B1a Notes	Class B1c Notes	Class B2 Notes	Class C Notes
Anticipated Ratings	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AA/Aa3/AA	AA/Aa3/AA	A/A3/A	A/A3/A	BBB/Baa3/BBB	BBB/Baa3/BBB	BB/Ba3/BB	The issue is not conditional upon a rating.
Rating Agencies	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	N/A
Credit Enhancement	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M Notes, B Notes, Reserve Fund	Subordination of M2 Notes, B Notes, Reserve Fund	Subordination of M2 Notes, B Notes, Reserve Fund	Subordination of B Notes, Reserve Fund	Subordination of B Notes, Reserve Fund	Subordination of the B2 Notes, Reserve Fund	Subordination of the B2 Notes, Reserve Fund	Reserve Fund	N/A
Interest Rate (prior to step up)	LIBOR + 0.08%	USD LIBOR + 0.07%	EURIBOR + 0.08%	EURIBOR + 0.13%	LIBOR + 0.18%	EURIBOR + 0.18%	LIBOR + 0.30%	EURIBOR + 0.30%	LIBOR + 0.50%	EURIBOR + 0.50%	LIBOR + 0.90%	EURIBOR + 0.90%	LIBOR + 3.75%	LIBOR + 3.25%
Interest Rate (after step up)	LIBOR + 0.16%	USD LIBOR + 0.14%	EURIBOR + 0.16%	EURIBOR + 0.26%	LIBOR + 0.36%	EURIBOR + 0.36%	LIBOR + 0.60%	EURIBOR + 0.60%	LIBOR + 1.00%	EURIBOR + 1.00%	LIBOR + 1.80%	EURIBOR + 1.80%	LIBOR + 4.75%	N/A
Interest Accrual Method	Actual/365	Actual/360	Actual/360	Actual/360	Actual/365	Actual/360	Actual/365	Actual/360	Actual/365	Actual/360	Actual/365	Actual/360	Actual/365	Actual/365
Interest Payment Dates	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November]	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November	On the 14th day of November 2006 and thereafter on the 14th day of February, May, August and November
Step-up Date	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	November 2013	N/A
Final Redemption Date	on the Interest Payment Date falling in November 2031	on the Interest Payment Date falling in November 2031	on the Interest Payment Date falling in November 2031	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039	on the Interest Payment Date falling in November 2039
Clearance / Settlement	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC	Euroclear, Clearstream, DTC
Denomination	£50,000	U.S.$100,000	€50,000	€50,000	£50,000	€50,000	£50,000	€50,000	£50,000	€50,000	£50,000	€50,000	£50,000	£50,000

Note:

(1) It is a condition of the issuance and offering of the Notes that such Notes are issued with at least such ratings.

SUMMARY INFORMATION

The information set out below is a summary of the principal features of the issue of the Notes and the MERCs. This summary should be read in conjunction with the detailed information presented elsewhere in this Prospectus.

The Issuer

The Issuer has been established to acquire from Norland DACS 22 Limited, incorporated in England and Wales (registered number 5416288) whose registered office is at 1 Sheldon Square, London W2 6PU, (the "**Seller**" or "**DACS 22**") on the Initial Issue Date and during the Prefunded Loan Period (as defined below) portfolios of residential mortgage loans (individually a "**Loan**", collectively the "**Mortgage Pool**") made to borrowers ("**Borrowers**") in respect of properties located in England, Wales and Scotland. In its capacity as Seller, DACS 22 has been established to acquire Loans from each of Battersea Park Mortgage Funding Limited ("**BPMF**"), Finsbury Park Mortgage Funding Limited ("**FPMF**"), Newbury Park Mortgage Funding Limited ("**NPMF**") and St James's Park Mortgage Funding Limited ("**SJPMF**" and together with any other subsidiary of KG for which Kensington Mortgage Company Limited ("**KMC**") originates assets from time to time being the "**Parks**").

The Mortgage Pool has been or will be originated by BPMF, FPMF, Hyde Park Mortgage Funding Limited ("**HPMF**"), Richmond Park Mortgage Funding Limited ("**RiPMF**"), SJPMF and/or KMC, either using its former name, Regents Park Mortgage Funding Limited ("**RPMF**"), or as agent of the relevant Park ("**KMC**" and together with BPMF, FPMF, HPMF, RiPMF and SJPMF, the "**Originators**"). The acquisition by the Issuer of the Mortgage Pool will be financed by the issue of the Notes and MERCs. The Seller and the Originators are wholly-owned subsidiaries of KG. The Originators and the other subsidiaries of KG trade collectively as Kensington Mortgage Company ("**Kensington**").

The Issuer's issued share capital is held by Residential Mortgage Securities Limited (the "**Parent**") and by Capita Trust Nominees No. 1 Limited (in this capacity, the "**Share Trustee**") on trust for the Parent. The entire issued share capital of the Parent is held by the Share Trustee under the terms of a trust primarily for the benefit of the creditors of the Parent or, if none, for the benefit of the holders of Notes issued by any wholly-owned subsidiary of the Parent and, ultimately, for charitable purposes. The shares of the Issuer and the Parent held by the Share Trustee are held under the terms of certain trusts established under English law by certain declarations of trust (the "**Share Trusts**"). (See "The Issuer" below).

Mortgage Administration and Servicing

To facilitate the administration and servicing of the Mortgage Pool the Issuer and the Trustee, *inter alios*, will enter into a master securitisation agreement (the "**Master Securitisation Agreement**") to be dated on or about 7 July 2006, the schedules to which will contain the following agreements, all of which come into effect on the date of the Master Securitisation Agreement: the Paying Agency Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Mortgage Administration Agreement, the Special Servicer Agreement, the Standby Servicer Agreement, the Liquidity Facility Agreement, the Post Enforcement Call Option, the Bank Agreement and the Guaranteed Investment Contract (all as defined below).

Mortgage Administration

Homeloan Management Limited ("**HML**"), a wholly-owned subsidiary of the Skipton Building Society, will be appointed under the terms of the Master Securitisation Agreement and the mortgage administration agreement, as set out in Schedule 4 of the Master Securitisation Agreement (together, the "**Mortgage Administration Agreement**"), between the Issuer, HML, the Parks, the Originators, the Trustee, the Special Servicer (as defined below) and the Cash/Bond Administrator (as defined below) as agent for the Issuer and

the Trustee, *inter alia*, to administer the Mortgage Pool on behalf of the Issuer and the Trustee (in this capacity, the "**Mortgage Administrator**"). In regard to certain other administrative functions and discretions, however, the Mortgage Administrator will act on the instructions of Kensington Mortgages Limited ("**KML**") (in this capacity, the "**Special Servicer**"), a wholly-owned subsidiary of KG, to be appointed under the terms of the Master Securitisation Agreement and the special servicer agreement, as set out in Schedule 5 of the Master Securitisation Agreement (together, the "**Special Servicer Agreement**"), between, *inter alios*, the Special Servicer, the Issuer, the Trustee, the Parks and KMC to perform such functions as agent for the Issuer and the Trustee. (See "*The Mortgage Administrator*" and "*The Special Servicer*" below).

Cash and Bond Administration

KML (in this capacity, the "**Cash/Bond Administrator**") will be appointed under the terms of the Master Securitisation Agreement and the cash/bond administration agreement as set out in Schedule 2 to the Master Securitisation Agreement (together, the "**Cash/Bond Administration Agreement**") between the Issuer, KML, KMC, the Parks and the Trustee, *inter alia*, to manage all cash transactions and maintain all cash management ledgers as agent for the Issuer and the Trustee (see "*The Cash/Bond Administrator*" below). KML's registered office is at 1 Sheldon Square, London W2 6PU.

The Mortgage Administrator, the Cash/Bond Administrator and the Special Servicer are obliged to report on a regular basis to the Trustee, the Issuer, the Parks and KMC on the Mortgage Pool, the administration of the mortgages and standard securities securing the Loans (together, the "**Mortgages**") and other matters relating to their respective administrative functions as described herein.

HML (in this capacity, the "**Standby Cash/Bond Administrator**") will be appointed as standby cash/bond administrator under the terms of the Master Securitisation Agreement and the standby cash/bond administration agreement as set out in Schedule 3 to the Master Securitisation Agreement (together, the "**Standby Cash/Bond Administration Agreement**") between the Issuer, the Parks, KMC, the Trustee, the Cash/Bond Administrator and the Standby Cash/Bond Administrator such that, if the appointment of KML as Cash/Bond Administrator is terminated, the Standby Cash/Bond Administrator will assume such cash/bond administration functions (see "*The Cash/Bond Administrator*" below).

Standby Administration

Western Mortgage Services Limited (the "**Standby Servicer**") will be appointed as standby servicer under the terms of the Master Securitisation Agreement and the standby servicer agreement, as set out in Schedule 6 of the Master Securitisation Agreement (together, the "**Standby Servicer Agreement**"), between the Standby Servicer, the Parks, KMC, the Issuer, the Trustee and the Special Servicer, such that, if the appointment of HML as mortgage administrator is terminated, the Standby Servicer will assume such mortgage administration functions. (See "*The Standby Servicer*" below). The appointment of the Standby Servicer can be terminated on three months' notice from the Issuer provided the Rating Agencies confirm that this will not result in a qualification, suspension, withdrawal or downgrade of, or otherwise adversely affect, the then current rating of the Notes, Detachable A Coupons or MERCs.

Neither the Mortgage Administrator, the Special Servicer, the Cash/Bond Administrator nor the Standby Servicer will be responsible for payment of principal or interest on the Notes, or for any payment in respect of the MERCs, without prejudice to any obligations of those parties under the Mortgage Administration Agreement, Special Servicer Agreement, Standby Servicer Agreement or Cash/Bond Administration Agreement.

The Trustee

The Trustee will be appointed pursuant to a trust deed (the "**Trust Deed**") to be entered into on the Initial Issue Date between the Issuer and the Trustee, *inter alia*, to represent the interests of the Noteholders, the Detachable A Couponholders and the MERC Holders. (See "*The Trustee*" below).

The Notes

The £100,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2031, U.S.$ 320,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2031, €64,400,000 Class A1c Mortgage Backed Floating Rate Notes due 2031,€116,200,000 Class A2c Mortgage Backed Floating Rate Notes due 2039, £207,600,000 Class A3a Mortgage Backed Floating Rate Notes due 2039, €105,000,000 Class A3c Mortgage Backed Floating Rate Notes due 2039, £43,300,000 Class M1a Mortgage Backed Floating Rate Notes due 2039, €15,000,000 Class M1c Mortgage Backed Floating Rate Notes due 2039, £11,000,000 Class M2a Mortgage Backed Floating Rate Notes due 2039, €22,400,000 Class M2c Mortgage Backed Floating Rate Notes due 2039, £15,000,000 Class B1a Mortgage Backed Floating Rate Notes due 2039, €13,100,000 Class B1c Mortgage Backed Floating Rate Notes due 2039, £16,000,000 Class B2 Mortgage Backed Floating Rate Notes due 2039 and £12,550,000 Class C Mortgage Backed Floating Rate Notes due 2039 are in each case to be constituted by the Trust Deed.

The A Notes will be secured by the same security that will secure the M Notes, the B Notes and the C Notes although, upon enforcement, the A Notes will rank in priority to the M Notes, the B Notes and the C Notes, in point of security; the M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes but after the A Notes, in point of security; the M2 Notes will rank in priority to the B Notes and the C Notes but after the A Notes and the M1 Notes, in point of security; the B1 Notes will rank in priority to the B2 Notes and the C Notes but after the A Notes and the M Notes, in point of security; the B2 Notes will rank in priority to the C Notes but after the A Notes, the M Notes and the B1 Notes, in point of security; and the C Notes will rank after the A Notes, the M Notes and the B Notes, in point of security.

The C Notes

The C Notes will be issued partly paid on the Initial Issue Date in the sum of approximately £10,250,000 (the "**Initial C Note Amount**"). On each Prefunded Loan Purchase Date (as defined below), the Issuer may call for a further payment on the C Notes from the C Noteholders up to a maximum amount of £12,550,000 determined by the Special Servicer (see "*Summary Information — Prefunding*" below) and notified to the Issuer and the Trustee (the "**Prefunded C Note Amount**"). (The Initial C Note Amount and each Prefunded C Note Amount are hereafter collectively referred to as the "**C Note Amount**"). The C Note Amount will consist of three principal elements. The first principal element ("**Principal Level A**") will be an amount of approximately £2,614,395 on the Initial Issue Date and will be increased by a proportion of the Prefunded C Note Amount on each Prefunded Loan Purchase Date (in the amount notified to the Issuer and the Trustee by the Special Servicer). Principal Level A of the C Notes will be used for meeting the costs and expenses arising in respect of each purchase of Loans and, in the case of the Initial C Note Amount, the issuance of the Notes and MERCs. The second principal element ("**Principal Level B**") will be an amount of approximately £5,533,304 on the Initial Issue Date and will be increased by a proportion of the Prefunded C Note Amount on each Prefunded Loan Purchase Date (in the amount notified to the Issuer and the Trustee by the Special Servicer) (see "*Credit Structure — Reserve Fund*" below). Principal Level B of the C Notes will be used in funding the Contingency Reserve and partially funding the Reserve Fund (as defined under "*Credit Structure — Reserve Fund*" below). See "*Risk Factors — Risks Related to the Detachable A Coupons, C Notes and MERCs — C Notes*". The third principal element ("**Principal Level C**") will be an amount of approximately £2,102,301 on the Initial Issue Date and will be used: (i) to make up on any Interest Payment Date falling within the Prefunded Loan Period any shortfall (the "**Prefunded Shortfall**") in making payments in accordance with the Priority of Payments which arises in respect of the preceding Interest Period from any

differential between the interest earned on the Prefunded Loans Ledger and the interest which would have been due from Borrowers in respect of mortgage loans had the Prefunded Amount been applied in the purchase of LIBOR Standard Mortgages or KVR Standard Mortgages (each as defined below) on the Initial Issue Date (the "**Interest Differential**") and (ii) to fund the 13 Day Mismatch (as defined below).

The Detachable A Coupons

Following the initial issuance of the Notes (the "**Initial Issue**"), it is contemplated that Coupons Stripping will take place such that the Detachable A Coupons are separated from the A Notes. Following any such Coupons Stripping, holders of the A Notes (in their capacity as such) will only receive amounts payable with respect to the Ordinary A Coupons and principal payments on the A Notes as described herein. Amounts payable with respect to the Detachable A Coupons will be payable separately to the holders of Detachable A Coupons (the "**Detachable A Couponholders**"). The Detachable A1a-2009 Coupons, Detachable A1b-2009 Coupons, Detachable A1c-2009 Coupons, Detachable A2c-2009 Coupons, Detachable A3a-2009 Coupons and Detachable A3c-2009 Coupons represent a right to receive interest on the relevant A Notes. This interest shall accrue from the Initial Issue Date and shall cease to be payable on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2009. The Detachable A1a-2011 Coupons, Detachable A1b-2011 Coupons, Detachable A1c-2011 Coupons, Detachable A2c-2011 Coupons, Detachable A3a-2011 Coupons and Detachable A3c-2011 Coupons represent a right to receive interest on the relevant A Notes. This interest will accrue from the Interest Payment Date in November 2009 and shall cease to be payable on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2011.

Except as specified below, the Detachable A Coupons will, following separation from the A Notes, continue to benefit from the security for the Notes. No separate application will be made to the Irish Stock Exchange for the Detachable A Coupons to be admitted to the Official List nor the Irish Stock Exchange for admission to trading.

The Detachable A Coupons constitute part of the interest payable on the A Notes (though any amounts payable on the Detachable A Coupons will be paid in sterling on an Interest Payment Date and will be calculated on the Principal Amount Outstanding of the relevant A Notes at the relevant time) (or, in respect of the Detachable A1b Coupons, Detachable A1c Coupons, Detachable A2c Coupons and Detachable A3c Coupons, on the sterling equivalent calculated at the Exchange Rate (as defined below) (the "**Sterling Equivalent**") of the Principal Amount Outstanding of the relevant A Notes at the relevant time) and, accordingly, following an early redemption of the A Notes or an enforcement of the A Notes pursuant to Condition 10, no termination payment or other redemption amount (other than amounts of interest payable in accordance with Condition 4) will be payable in respect of the Detachable A Coupons and, following the payment of any amounts outstanding pursuant to Condition 4 or the extinguishment of such amounts, the Detachable A Coupons shall no longer constitute a claim against the Issuer. (See "*Risk Factors — Yield and Prepayment Considerations*", "*Risk Factors — Risks Related to the Detachable A Coupons, C Notes and MERCs — Detachable A Coupons*" and "*Terms and Conditions of the Notes*" below).

The MERCs

MER Distributions will be payable to the MERC Holders. The MERCs will be secured by cash amounts standing to the credit of the Issuer in respect of Mortgage Early Redemption Receipts (as defined under "*Terms and Conditions of the MERCs*" below). Application has been made to the Irish Stock Exchange for the MERCs to be admitted to the Official List and to the Irish Stock Exchange to be admitted for trading.

The MERCs constitute amounts payable to MERC Holders from Mortgage Early Redemption Receipts received by the Issuer in respect of Mortgage Early Redemption Amounts (as defined under "*Terms and Conditions of the MERCs*" below). Following redemption of all the Notes or an enforcement of the Notes

pursuant to Condition 10 and disposal of the Mortgages, no termination payment or other amount (other than amounts then payable in respect of Mortgage Early Redemption Receipts) will be payable in respect of the MERCs and, following the payment of any amounts then payable in respect of Mortgage Early Redemption Receipts, the MERCs shall no longer constitute a claim against the Issuer. (See "*Risk Factors — Yield and Prepayment Considerations*", "*Risk Factors — Risks Related to the Detachable A Coupons, C Notes and MERCs -MERCs*" and "*Terms and Conditions of the MERCs*" below).

Withholding Tax

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

Redemption and Post Enforcement Call Option

(i) *Optional Redemption of Notes*

All (but not some only) of the Rated Notes are redeemable at their Principal Amount Outstanding together with accrued interest in the event of certain tax changes affecting the Issuer, the Rated Notes or the Loans comprising the Mortgage Pool at any time (see Condition 5(f)).

All (but not some only) of the Notes are redeemable at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Rated Notes is less than 20 per cent. of the initial aggregate Principal Amount Outstanding of the Rated Notes (see Condition 5(e)).

All (but not some only) of the Notes are redeemable at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in November 2013 and on any Interest Payment Date thereafter if the Issuer (with the approval of the Trustee) is successful in securing and accepting a bid to purchase the Loans outstanding in accordance with the foregoing provisions. In order to secure such a bid, on a date at least 60 days prior to each Interest Payment Date referred to above, the Trustee will solicit bids to purchase all (but not some only) of the Loans outstanding on any Interest Payment Date referred to above. The Trustee will only approve acceptance of the bid to purchase the Loans on any Interest Payment Date, if the highest bid (plus other amounts available to the Issuer) is equal to or greater than the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) plus accrued interest and expenses incurred in connection with soliciting such bids and such sale, on the relevant Interest Payment Date on which the Notes are to be redeemed.

In the event that the Issuer (with the approval of the Trustee) is successful in securing and accepting a bid in accordance with the foregoing provisions, the Cash/Bond Administrator on behalf of the Issuer may give not less than 14 days' notice to the Trustee and the relevant Noteholders in accordance with Condition 15, and following the giving of such notice the Issuer shall be obliged to redeem the Notes at their Principal Amount Outstanding on the relevant Interest Payment Date (see Condition 5(e)).

(ii) *Mandatory Redemption in Part*

Prior to enforcement, the Rated Notes will be subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 5(b) (which for the avoidance of doubt will result in Actual Redemption Funds (as defined in Condition 5(b)) being applied to redeem the Rated Notes in the following sequential order; the A1 Notes on a *pari passu pro rata* basis, the A2 Notes and A3 Notes on a *pari passu pro rata* basis, the M1 Notes on a *pari passu pro rata* basis, the M2 Notes on a *pari passu pro rata* basis, the B1 Notes on a *pari passu pro rata* basis and the B2 Notes on a *pari passu pro rata* basis subject always to (a) a *pro rata* redemption for all Rated Notes in an aggregate amount equal

to the credit balance (if any) on the Prefunded Loans Ledger at the expiry of the Prefunded Loans Period, (b) a *pro rata* redemption for all A Notes, M Notes and B Notes if a Trigger Event set out in Condition 5(b) has occurred at any time and (c) the C Notes being subject to mandatory redemption in part on each Interest Payment Date in accordance with Condition 5(c)).

(iii) *Final Redemption*

Unless previously redeemed, the A1 Notes will mature on the Interest Payment Date falling in November 2031 and the A2 Notes, the A3 Notes, the M Notes, the B Notes and the C Notes will mature on the Interest Payment Date falling in November 2039, as set out in Condition 5(a).

(iv) *Cancellation of MERCs*

Subject to the prior payment to MERC Holders of all amounts then payable to them at such time, the MERCs will no longer constitute claims against the Issuer following a redemption of all (but not some only) of the Notes.

(v) *Purchase*

The Issuer shall not purchase any Notes (including Detachable A Coupons or MERCs).

(vi) *Post Enforcement Call Option in favour of RMS Options Limited*

The Trustee will, on the Initial Issue Date, grant to RMS Options Limited an option, as set out in the Master Securitisation Agreement and Schedule 8 thereto, (together, the "**Post Enforcement Call Option**") to acquire all (but not some only) of the M Notes, B Notes and C Notes (plus accrued interest thereon) for a consideration of one penny per M1a Note, M2a Note, Bla Note, B2 Note and C Note outstanding or one cent per M1c Note, M2c Note and B1c Note outstanding following any enforcement of the Security (as defined under "*Terms and Conditions of the Notes — Status, Security and Administration*" below) for the Notes, after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the M Notes, B Notes and C Notes and after the application of any such proceeds of the M Notes, B Notes and C Notes (see "*Terms and Conditions of the Notes — Status, Security and Administration*" below), and after any payment required to be made in respect of the MERCs, to pay any further amounts due in respect of the M Notes, B Notes and C Notes. The Noteholders are bound by the terms of this Post Enforcement Call Option pursuant to the terms and conditions of the Trust Deed and by the Conditions and the Trustee is irrevocably authorised to enter into the Post Enforcement Call Option with RMS Options Limited as agent for the Noteholders.

Security for the Notes and MERCs

Pursuant to a deed of charge and assignment to be entered into between, *inter alios*, the Issuer and the Trustee (the "**Deed of Charge**"), (i) the Notes will be secured, *inter alia*, by first fixed charges and security over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and certain other collateral security (as more fully described in Condition 2(b)), an equitable assignment of the Issuer's interests in certain insurance contracts, an assignment of the benefits under certain agreements, a charge expressed to be a first fixed charge and security over the Issuer's interest in certain bank accounts and investments other than the interests at (ii) below and a floating charge over all the assets and undertakings of the Issuer not subject to any fixed charge (but extending over all of its Scottish assets) (the "**Security**", being further described in "*Terms and Conditions of the Notes — Status, Security and Administration*" below), and (ii) the MERCs will be secured by a charge expressed to be a first fixed equitable charge over the Issuer's interest in certain bank accounts and investments to the extent of any balance standing to the credit of the

MERR Ledger (as defined below). The Trustee will be appointed to hold and on the occurrence of an Event of Default will be entitled to enforce, the security granted by the Issuer on trust for the Secured Creditors.

Use of Ledgers

The Issuer will be required to record all amounts received from Borrowers in respect of the Loans or otherwise paid or recovered in respect of the Loans (other than principal amounts received representing monthly repayments or prepayments of principal, redemption proceeds and amounts recovered on enforcement, in each case representing principal (the "**Mortgage Principal Receipts**"), Mortgage Early Redemption Receipts and Residual Revenue (each as defined in "*Credit Structure — Residual Revenue*" below)) (together, the "**Revenue Receipts**") in a ledger for that purpose (the "**Revenue Ledger**"). The Issuer will be required to record Mortgage Principal Receipts in a ledger for that purpose (the "**Principal Ledger**") and Mortgage Early Redemption Receipts in a ledger for that purpose (the "**MERR Ledger**").

The amounts standing to the credit, at any time, of the Further Advances Ledger, the Redraw Reserve Ledger (each as defined in Condition 5 and described under "*Administration, Servicing and Cash Management of the Mortgage Pool — Further Advances and Substitution*" below), the Liquidity Ledger, the Reserve Ledger, the Start-Up Costs Ledger, the Prefunded Loans Ledger, the Tranche C Ledger, the Fixed Rate/Discount Collateral Ledger (each as defined under "*Credit Structure*" below), the MERR Ledger, the Principal Ledger and the Revenue Ledger (together, the "**Ledgers**") will, together, represent all sums standing to the credit of the Bank Accounts (as defined in "*Credit Structure*" below) and the amount at that time invested in Authorised Investments. The Ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited by the Cash/Bond Administrator in the manner described in "*Priority of Payments Prior to Enforcement*" and "*Priority of Payments Post-Enforcement*" under "*Terms and Conditions of the Notes — Status, Security and Administration*" (the "**Priority of Payments**"), "*Terms and Conditions of the Notes — Redemption and Post Enforcement Call Option*" and "*Credit Structure*" below.

The Mortgages

The Mortgage Pool will comprise a portfolio of Loans originated by BPMF, FPMF, HPMF, RPMF, RiPMF and SJPMF (the "**Park Originated Loans**") together with Loans originated in the name of KMC under an agency origination programme (the "**Agency Originated Loans**") whereby KMC originates Loans on behalf of the Parks. DACS 22 will contract to purchase both the Park Originated Loans and the Agency Originated Loans pursuant to mortgage sale agreements to be entered into on or before the Initial Issue Date (the "**Parks/DACS Mortgage Sale Agreements**"). DACS 22 will contract to sell the Loans to the Issuer pursuant to a mortgage sale agreement to be entered into on or before the Initial Issue Date (the "**DACS/RMS 22 Mortgage Sale Agreement**", together with the Parks/DACS Mortgage Sale Agreements, the "**Mortgage Sale Agreements**"). (See "*The Mortgage Pool*" below). The Originators are party to the Mortgage Sale Agreements for the purpose of giving Warranties and (as the legal title holder) covenants for perfection of title but will not repurchase any Loans thereunder.

The Loans to be purchased by the Issuer (the "**Mortgage Pool**") will comprise: (i) the portfolio of Loans purchased by the Issuer from DACS 22 on the Initial Issue Date (the "**Initial Loans**") which will comprise the completion mortgage pool (the "**Completion Mortgage Pool**"); (ii) the portfolios of Loans which may be purchased by the Issuer from DACS 22 with the Prefunded Amount (the "**Prefunded Loans**") on certain days (each a "**Prefunded Loan Purchase Date**") during the period from the Initial Issue Date until the Determination Date immediately prior to the Interest Payment Date falling in November 2006 (the "**Prefunded Loan Period**"); and (iii) any Further Advances and any Substitute Loans (each as defined in "*The Mortgage Pool*" below), other than Loans which have been repaid or which have been re-transferred to the Parks pursuant to the Mortgage Sale Agreements. The Mortgage Pool will be purchased by the Issuer pursuant to the provisions of the DACS/RMS 22 Mortgage Sale Agreement.

Certain of the Initial Loans which are Park Originated Loans were initially sold to Residential Mortgage Securities 12 plc ("**RMS 12**") as part of the securitisation undertaken by RMS 12. RMS 12 exercised its right to call the notes that remained outstanding in respect of this securitisation on 11 January 2006 and the equitable and beneficial interest in the residual interest of this mortgage portfolio was acquired by BPMF and other KG group companies on that day. Legal title to the mortgage portfolio remains with the respective Originator of each such Loan.

Other Initial Loans which are Park Originated Loans were initially sold to Residential Mortgage Securities 13 plc ("**RMS 13**") as part of the securitisation undertaken by RMS 13. RMS 13 exercised its right to call the notes that remained outstanding in respect of this securitisation on 12 June 2006 and the equitable and beneficial interest in the residual interest of this mortgage portfolio was acquired by SJPMF and other KG group companies on that day. Legal title to the mortgage portfolio remains with the respective Originator of each such Loan.

The Mortgage Products

The Initial Mortgage Pool (the portfolio of Loans listed in Annexure A of the DACS/RMS22 Mortgage Sale Agreement "**The Initial Mortgage Pool**") will comprise KVR Mortgages (including Discount Mortgages and Fixed Rate Mortgages) and LIBOR Mortgages (each as defined in "*The Mortgage Pool*" below). See also Table 13 (Distribution of Loans by Type) under "*Characteristics of the Provisional Completion Mortgage Pool*" below.

The Prefunded Mortgage Pool (as described in "*Factors Associated with Non-Verified Loans*" below) may comprise other fixed rate and discount products subject to appropriate hedging instruments being in place and approved by the Rating Agencies.

Part of the Principal Level C element of the Initial C Note Amount and, as the case may be, any Prefunded C Note Amount will be credited to the Tranche C Ledger on the Initial Issue Date to fund the Prefunded Shortfall and the 13 Day Mismatch.

The Issuer may on or prior to the Initial Issue Date novate existing interest rate swap agreements entered into by SJPMF with Barclays and NPMF with RBS. NPMF may, prior to the expiry of the Prefunded Loan Period, enter into interest rate swap agreements with ABN AMRO and those swaps may be novated, as part of the prefunding arrangements, to the Issuer (ABN AMRO, Barclays and RBS together, the "**Fixed Rate Swap Counterparties**") to hedge against potential LIBOR variation in respect of Fixed Rate Mortgages (the "**Fixed Rate Swap Agreements**"). The Fixed Rate Swap Agreements have swap rates (the "**Swap Rates**") set to hedge the Fixed Rate Mortgages and will be for an aggregate notional amount that is agreed prior to the Initial Issue Date with the Rating Agencies having regard, *inter alia*, to the aggregate balances of the Mortgages with fixed rates in the Initial Mortgage Pool. If LIBOR falls below the Swap Rate, the Issuer will be obliged to make payment to a Fixed Rate Swap Counterparties and if LIBOR exceeds the Swap Rate, payment to the Issuer will be due from a Fixed Rate Swap Counterparties. On each Prefunded Loan Purchase Date additional interest rate swap agreements may be entered into by the Issuer, if required by the Rating Agencies to maintain the rating of the Notes, having regard to any further fixed rate mortgages purchased by the Issuer.

Prefunding

The Notes will be secured, *inter alia*, by the Mortgage Pool and the Prefunded Amount (as defined below) as it exists from time to time. The balance of the net proceeds of the Initial Issue after making payment of the purchase price for the Initial Loans to DACS 22 (the "**Prefunded Amount**") will be deposited on the Initial Issue Date in the GIC Account and recorded by the Cash/Bond Administrator in a ledger established for such purposes (the "**Prefunded Loans Ledger**"). During the Prefunded Loan Period, the Issuer may apply amounts standing to the credit of the Prefunded Loans Ledger in and towards the purchase of Prefunded Loans from DACS 22. Prefunded Loans shall be purchased on the relevant Prefunded Loan Purchase Date at

an amount equal to 100 per cent. of the aggregate principal balances of the Prefunded Loans on the relevant Prefunded Loan Purchase Date subject to the following conditions being satisfied: (i) the purchase would not give rise to a debit balance on the Prefunded Loans Ledger; (ii) the Rating Agencies have agreed the proposed adjustment to Principal Level B and confirmed acceptance to any increase or decrease in Principal Level A and Principal Level C comprised in any Prefunded C Note Amount and confirmed that the then current ratings of the Notes (and any other rated instruments of the Issuer) will be unaffected by the purchase of such Prefunded Loans; and (iii) the Special Servicer has certified to the Trustee, the Issuer, DACS 22, the Originators and the Parks that the conditions precedent to the completion of such purchase, and the procedures relating thereto (as set out in the Special Servicer Agreement and the Mortgage Sale Agreements as more fully described under the heading "*Sale of the Mortgage Pool — Prefunded Loans*") have been satisfied in full. No consent of the Noteholders, the Detachable A Couponholders or the MERC Holders will be required for the purchase of Prefunded Loans during the Prefunded Loan Period.

A Loan is referred to herein as "**Verifying**" when 50 per cent. of the first scheduled payment from the Borrower is paid within two months of the due date for the first scheduled payment. "**Verify**" and "**Verified**" have correlative meanings when referred to herein.

All or substantially all of the Prefunded Loans which are Agency Originated Loans will have been recently originated and may not have Verified by the relevant Prefunded Loan Purchase Date. The Issuer is unable to identify the number of Prefunded Loans that will Verify on subsequent Interest Payment Dates from the Borrowers. However, in the 14 most recent mortgage sale arrangements relating to the Residential Mortgage Securities Programme (the "**RMS Programme**") entered into by KG group companies since October 1999 which included the sale of Non-Verified Loans, in excess of 96 per cent. of loans that were Non-Verified Loans (by aggregate principal balance) subsequently Verified within two months of their origination. If Prefunded Loans fail to Verify within two months of the first due payment by the relevant Borrower, these may, in certain circumstances, be repurchased by the Parks pursuant to the terms of the Mortgage Sale Agreements as described below.

The Rating Agencies have approved the level of reserves available to the Issuer and the principal amount of the C Notes, having regard, *inter alia*, to certain assumptions as to the likely level of Loans that do not Verify. If the principal amount relevant to Loans that do not Verify does not exceed the level of principal amounts used in the assumptions by the Rating Agencies in determining the ratings of the Notes, Detachable A Coupons and MERCs, then the relevant Park will not be required to repurchase such Loans. However, if the amount exceeds the level of principal amounts assumed, the relevant Park will be obliged to repurchase the Loans that have not Verified within two months of the first payment date, to the extent they exceed the assumed level of principal amounts, in order to maintain the same level of rating on the Notes. On any subsequent Prefunded Loan Purchase Date, or other relevant date for the repurchase of Loans that do not Verify, these repurchased Loans may be sold to the Issuer as arrears loans, though only if in doing so the then current rating of the Notes, Detachable A Coupons and MERCs is not downgraded, withdrawn, suspended, qualified or otherwise adversely affected.

The Issuer will, on the Initial Issue Date, have a right to serve a drawdown notice under committed loan facilities entered into by (i) BPMF with WestLB, (ii) FPMF with Morgan Stanley Dean Witter Principal Funding Inc., (iii) NPMF with The Royal Bank of Scotland plc, Giro Lion Receivables Limited and Tulip Asset Purchase Company B.V. or (iv) SJPMF with Barclays Bank PLC respectively for an aggregate maximum amount of not less than £66,000,000 (see "*The Mortgage Pool — Non-Verified Loans*" below) if BPMF, FPMF, NPMF or SJPMF are obliged to repurchase Loans in the circumstances referred to above. The drawdown notices can only be served in respect of the facility applicable to the relevant Park.

The amount, if any, remaining to the credit of the Prefunded Loans Ledger on the day immediately following the expiry of the Prefunded Loan Period will be applied *pro rata* on the next succeeding Interest Payment Date in the *pro rata* redemption of all classes of Rated Notes.

Non-Verified Loans

188 of the Initial Loans representing an aggregate principal balance of approximately £24,700,000 are Loans originated after 1 April 2006, and have yet to Verify (the "**Initial Non-Verified Loans**"). 143 of the Initial Non-Verified Loans, representing an aggregate principal balance of approximately £19,300,000 are Loans in respect of which no payments have yet been made or recorded by the Mortgage Administrator as having been made. It is anticipated that Prefunded Loans purchased on the Prefunded Loan Purchase Date will include Non-Verified Loans. (See "*The Mortgage Pool — Non-Verified Loans*" and "*Risk Factors — Risk Relating to Loans — Risks of Losses Associated with Non-Verified Loans*" below).

Fixed Rate Collateral and Discount Collateral

Pursuant to the terms of the Mortgage Sale Agreements, on each of the Initial Issue Date and each Prefunded Loan Purchase Date, there will be an adjustment to the consideration payable by the Issuer for the purchase of the Mortgage Pool to reflect an amount required by the Issuer to fund the discount collateral (the "**Discount Collateral**") and the fixed rate collateral (the "**Fixed Rate Collateral**"). The Discount Collateral is the product of the discount (being the amount equal to the excess of the margin which would be payable on a KVR Standard Mortgage or LIBOR Standard Mortgage, as the case may be, over the margin payable on the equivalent Discount Mortgage (the "**Discount**")), the aggregate Balances of such Mortgages in the Mortgage Pool which are Discount Mortgages and the remaining Discount Period (as defined below) required to collateralise any Discount. The Fixed Rate Collateral is the product of the shortfall (being the amount equal to the excess (if any) of the margin payable on a KVR Standard Mortgage over the margin payable on an equivalent Fixed Rate Mortgage (the "**Fixed Rate Shortfall**")), the aggregate Balances of the Fixed Rate Mortgages and the remaining period until the fixed rates cease to apply (the "**Fixed Rate Period**") to collateralise the Fixed Rate Shortfall.

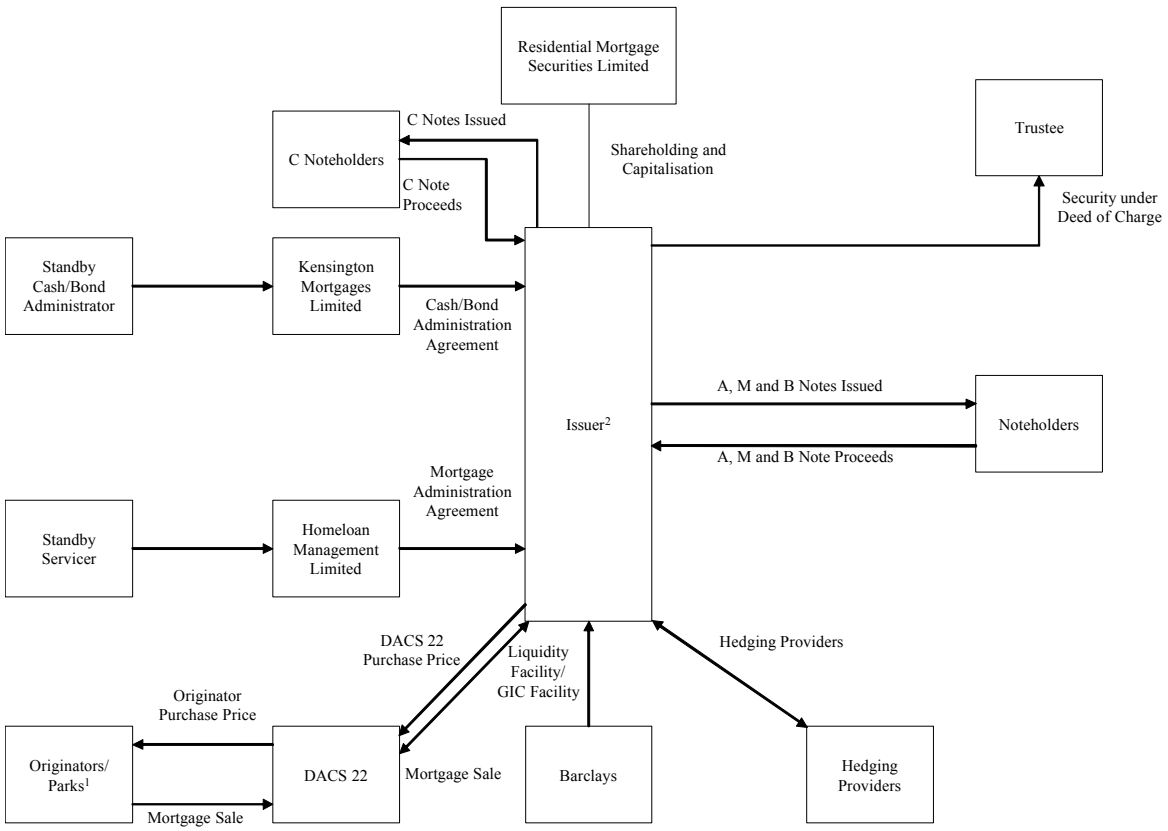
The margin payable on the equivalent Fixed Rate Mortgage is the difference between the fixed rate on such mortgage less the relevant Swap Rate.

The Discount Collateral and Fixed Rate Collateral will be credited to the Fixed Rate/Discount Collateral Ledger (as defined below) on the Initial Issue Date and any Prefunded Loan Purchase Date, as appropriate, and will be available as part of the Available Revenue Funds on each Interest Payment Date during the Discount Period and Fixed Rate Period.

Structure Diagram

This structure diagram is an indicative summary of the principal features of the Notes at issuance.

This structure diagram must be read in conjunction with, and is qualified in its entirety by the detailed information presented elsewhere in, this Prospectus.



Notes:

(1) KMC, as agent of the relevant Parks, originates the Loans (other than the Park Originated Loans) and together with the relevant Parks sell the Loans to DACS 22, see "*The Mortgage Pool*".

(2) Issuer holds a beneficial interest in the Loans and Mortgages and the right to call for legal title to be transferred in certain circumstances.

RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes and MERCs about which prospective Noteholders, Detachable A Couponholders and MERC Holders should be aware. The summary is not intended to be exhaustive and prospective Noteholders and MERC Holders should read the detailed information set out in the section entitled "*Credit Structure*" and elsewhere in this document.

Limited Liquidity

Prior to their issuance, there will have been no market for the Notes or MERCs. There can be no assurance that a secondary market for the Notes or MERCs will develop or, if a secondary market does develop, that it will provide holders of the Notes or MERCs with liquidity of investment or that it will continue for the life of the Notes or MERCs. To date, no underwriter has indicated that they intend to establish a secondary market in the Notes or MERCs. In addition, Notes or MERCs sold in the United States may be subject to restrictions on transferability. (See "*Notice to Investors*").

Yield and Prepayment Considerations

The yield to maturity of the Notes of each class, the Detachable A Coupons and the MERCs will depend on, among other things, the amount and timing of payment of principal (including prepayments, sale proceeds arising on enforcement of a Mortgage, and repurchases by the Parks due to, for example, breaches of representations and warranties) on the Loans and the price paid by the holders of the Notes and MERCs. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans. The yield to maturity on the Detachable A Coupons and the MERCs will be particularly sensitive to the rate of prepayment on the related Loans.

The Loans may be prepaid in full or in part at any time. However, an early redemption payment will be charged to a Borrower in connection with any prepayment if the Loan is prepaid within three years from the date on which it was originated save that Mortgage Early Redemption Amounts do not arise upon the death of a Borrower. Such early redemption payments, once received by the Issuer, constitute the Mortgage Early Redemption Receipts and will be distributed to MERC Holders. Mortgage Early Redemption Receipts will not be available to Noteholders.

Prepayments may result in connection with refinancings, sales of Properties (as defined below) by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage, as well as the receipt of proceeds from building insurance and life insurance policies. In addition, repurchases or purchases of Loans or substitution adjustments required to be made under the Mortgage Sale Agreements will have the same effect as a prepayment of such Loans (save that no Mortgage Early Redemption Receipts will arise in respect of such repurchases, purchases or adjustments).

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

The Prefunded Mortgage Pool will comprise Loans originated by the Originators between August 1996 to July 1998, May 2002 to September 2002 and September 2005 to April 2006. However, there can be no assurance that KMC will have originated or acquired any further Prefunded Loans during the Prefunded Loan Period. To the extent that there remains a credit balance on the Prefunded Loans Ledger upon the expiry of the Prefunded Loan Period, the amount of such credit balance will be credited to the Actual Redemption Funds and will be applied on the next succeeding Interest Payment Date in the *pro rata* redemption of all classes of Rated Notes. In such circumstance, the yield on the Detachable A Coupons and the MERCs will be lower than would be the case had such credit balance been applied instead in the purchase of Prefunded Loans

(see "*Sensitivity of the Detachable A Coupons, M Notes, B Notes and MERCs to Prepayments and Realised Losses*" below).

In all previous securitisations relating to the RMS Programme backed by mortgages of KG group companies where there had been an amount reserved from the issue proceeds for the acquisition of prefunded mortgages (twenty-one issues in total), such amount was in each case applied in full to the purchase of prefunded mortgages. There can be no assurance, however, as to whether and to what extent credit balances on the Prefunded Loans Ledger will be applied in redemption of the Notes on the relevant Interest Payment Date.

Risks Related to the Loans

Risks of Losses Associated with Declining Real Estate Values

An investment in securities such as the Notes, Detachable A Coupons and MERCs that generally represent a secured debt obligation (the security being in respect of Loans beneficially owned by the Issuer) may be affected by, among other things, a decline in real estate values and changes in the Borrowers' financial condition. All of the properties securing the Loans (the "**Properties**" and each a "**Property**") are or will be located in England, Wales or Scotland. Approximately 17.62 per cent. of the Initial Loans by value are secured by Properties located in the South East of England, approximately 6.83 per cent. of the Initial Loans by value are secured by Properties located in the South West of England, approximately 13.51 per cent. of the Initial Loans by value are secured by Properties located in Greater London (the outer area) and approximately 8.79 per cent. of the Initial Loans by value are secured by Properties located in inner London. (See "*Characteristics of the Provisional Completion Mortgage Pool — Distribution of Loans by Region*"). Certain areas of the United Kingdom may from time to time experience declines in real estate values. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in the United Kingdom in general, or in the South East of England in particular, should experience an overall decline in property values such that the outstanding balances of the Loans become equal to or greater than the value of the Properties, such a decline could in certain circumstances result in the value of the interest in the Property created by the Mortgages being significantly reduced. To that extent, holders of interests in the Notes, Detachable A Coupons and MERCs will bear all risk of loss resulting from default by Borrowers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and unpaid interest on the delinquent Loans.

Underwriting Standards

The Initial Loans have been, and the Prefunded Loans will be, underwritten generally in accordance with underwriting standards described in "*The Mortgage Pool — Lending Criteria*" below to provide residential mortgage loans to Borrowers who do not satisfy the requirements of building societies or high street banks ("**non-conforming borrowers**"). These underwriting standards consider, among other things, a borrower's credit history, employment history and status, repayment ability and debt service-to-income ratio, as well as the value of the property. However, loans made to non-conforming borrowers may experience higher rates of delinquency, enforcement and bankruptcy than have historically been experienced by loans made to typical "A" rated borrowers. In addition, there can be no assurance that loans with higher loan-to-value ratios will not experience higher rates of delinquency, enforcement and bankruptcy than loans with lower loan-to-value ratios. There can be no assurance that the lending criteria will not be varied or that loans originated under different criteria may not become part of the Mortgage Pool. (See "*The Mortgage Pool — Lending Criteria*" below).

The Mortgage Pool will include Loans to Borrowers who may previously have been subject to a County Court Judgment or the Scottish equivalent, Individual Voluntary Arrangement or Bankruptcy Order, Borrowers who are self-employed, and Borrowers otherwise considered by bank and building society lenders to be non-prime borrowers.

However, certain other Lending Criteria (as defined in "*The Mortgage Pool — Lending Criteria*" below) are utilised with a view, in part, to mitigating the risks in lending to Borrowers in the foregoing categories. (See

"*The Mortgage Pool — Lending Criteria*"). For a detailed analysis of the Loans constituting the Mortgage Pool at closing, see "*Characteristics of the Provisional Completion Mortgage Pool*" below.

Warranties

Neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Loans and their related Mortgages, and each will rely instead on the representations and warranties given by DACS 22, the Originators and the Parks in the Mortgage Sale Agreements or by any other entity from which the Issuer purchases Substitute Loans in the mortgage sale agreement under which such Substitute Loans or the memoranda of sale pursuant to which such Prefunded Loans are purchased (together, the "**Warranties**"). The sole remedy (save as described below) of each of the Issuer and the Trustee in respect of a breach of Warranty which could have a material adverse affect on the relevant Loan and related Mortgage (other than where such breach was disclosed at the point of sale to the Issuer (see "*Sale of the Mortgage Pool — Warranties and Repurchase*")), shall be the requirement that the relevant Park repurchase, or procure the repurchase of, or substitute a similar loan in replacement for, any Loan which is the subject of any breach, provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if the relevant Park or any other such entity fails to repurchase a Loan when obliged to do so. DACS 22 was incorporated for the sole purpose of acquiring the Mortgage Pool and the Originators and the Parks were each incorporated for the limited purpose of originating (or having originated on their behalf), acquiring and warehousing mortgage loans. None of DACS 22, the Parks nor the Originators have significant unencumbered capital resources. Accordingly, there can be no assurance that the Parks will have the financial resources to honour their obligation to repurchase any Loan in respect of which such a breach of Warranty arises. Prior to the Initial Issue Date, DACS 22, the Parks and the Originators will arrange an audit of the Provisional Completion Mortgage Pool to ensure, as far as practicable, that the Initial Loans will not be the subject of a breach of any Warranty. A further audit will be undertaken in respect of the relevant Prefunded Mortgage Pool in accordance with procedures agreed with the Rating Agencies so as to ensure that the rating of the Notes is not adversely affected as a result of the transfer of the Prefunded Mortgage Pool.

Risk of Losses Associated with Interest Only Loans

Approximately 59.57 per cent. of the Loans by value in the Provisional Completion Mortgage Pool constitute "**Interest Only Loans**". Interest Only Loans are originated with a requirement that the Borrower pay scheduled interest payments only. There is no scheduled amortisation of principal. Consequently, upon the maturity of an Interest Only Loan, the Borrower will be required to make a "**bullet**" repayment that will represent the entirety of the principal amount outstanding thereof. The ability of such a Borrower to repay an Interest Only Loan at maturity may often depend on such Borrower's ability to refinance the Property or obtain funds from another source such as pension policies, personal equity plans or endowment policies. The ability of a Borrower to refinance the Property will be affected by a number of factors, including the value of the Property, the Borrower's equity in the Property, the financial condition of the Borrower, tax laws and general economic conditions at the time.

Although a low interest rate environment may facilitate the refinancing of an Interest Only Loan, the receipt and reinvestment by the holders of the Notes, Detachable A Coupons and MERCs of the proceeds in such an environment may produce a lower return than that previously received in respect of the related Loan.

Conversely, a high interest rate environment may make it more difficult for the Borrower to accomplish a refinancing and may result in delinquencies or defaults. None of the Originators, the Parks, KG, the Mortgage Administrator or the Trustee will be obligated to provide funds to refinance any Loan, including, without limitation, Interest Only Loans. (See "*Characteristics of the Provisional Completion Mortgage Pool*" below).

Factors Associated with Non-Verified Loans

Approximately 4.12 per cent. of the Loans by value in the Completion Mortgage Pool will be Initial Non-Verified Loans and as such will be subject to resale to the relevant Park pursuant to the terms of the Mortgage Sale Agreements in circumstances where such Initial Non-Verified Loans have not verified by the relevant

Payment Verification Date unless retaining such Loans would not prejudice the then current rating of the Notes (see "*Summary Information — Prefunding*"). The majority of the Prefunded Loans purchased on any Prefunded Loan Purchase Date (each such pool a "**Prefunded Mortgage Pool**") by the Issuer may be Non-Verified Loans (the "**Prefunded Non-Verified Loans**") on the date on which they are purchased and will be subject to similar resale arrangements. A sale of a Non-Verified Loan will have the same effect as a prepayment of a Loan (save that no Mortgage Early Redemption Amounts will arise in respect of such sale), which is more fully described in "*Yield and Prepayment Considerations*" above. In the 14 most recent mortgage sale arrangements relating to the RMS Programme, entered into by KG group companies, which included Non-Verified Loans and a repurchase obligation in respect of such Loans if the Borrowers in respect thereof did not make 50 per cent. of their first scheduled payment within the relevant time period, in excess of 96 per cent. of Borrowers (calculated by reference to the aggregate principal balance of the Loans originated within a two month period of the date on which the Mortgage Pool was segregated notionally from the remaining mortgages originated by the Originators), paid 50 per cent. of their first scheduled payment within the relevant time period. There can be no assurance, however, that Borrowers in respect of Initial Non-Verified Loans or any Prefunded Non-Verified Loans will make their first scheduled payment within the relevant time period to a similar extent. (See "*Yield and Prepayment Considerations*" and "*Characteristics of the Provisional Completion Mortgage Pool — Non-Verified Loans*" below).

Risks Associated with Flexible Loans

A number of Loans will comprise Flexible Loans under which Borrowers will have a right to request repayment of prior overpayments or request such overpayments to be used to satisfy current interest payment obligations. The Issuer will be obliged to fund such repayments or shortfalls in interest receipts as a result of Payment Holidays (as defined in "*The Mortgage Pool — Flexible Loans*" below) from drawings under the Redraw Reserve Ledger, Available Capital Funds (each as defined in Condition 5), or if such funds are not otherwise available, from a drawing on the Reserve Fund. Amounts that can be requested by Borrowers for Borrow Back or Payment Holidays are limited in amount to the lower of previous unutilised overpayments, being the cumulative amounts paid by Borrowers in excess of their scheduled periodic payments which are not subject to an early redemption charge. The maximum Balance of all Flexible Loans in the Mortgage Pool on the expiration of the Prefunded Loan Period will not exceed 1 per cent. of the aggregate Balance of all Loans in the Mortgage Pool.

Risks Associated with Non-Owner Occupied Properties

355 of the Properties relating to the Loans in the Provisional Completion Mortgage Pool and representing approximately 4.51 per cent. of the Initial Loans in the Provisional Completion Mortgage Pool by value, are not owner occupied. These Properties are leased out by the relevant Borrowers. It is possible that the rate of delinquencies, enforcements and losses on such Loans secured by non-owner occupied properties could be higher than for Loans secured by the primary residence of the Borrower. (See "*Characteristics of the Provisional Completion Mortgage Pool*").

Risk Associated with Self Certified Loans

Approximately 83.02 per cent. of the Loans in the Provisional Completion Mortgage Pool by value constitute Loans in respect of which income and employment details of the Borrower are not substantiated by supporting documentation. The rate of delinquencies, enforcements and losses on such Loans may differ from those in respect of Loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Geographic Concentration of Mortgaged Properties

Certain geographic regions from time to time will experience weaker regional economic conditions and housing markets than will other regions and, consequently, will experience higher rates of loss and delinquency on mortgage loans generally. Approximately 17.62 per cent. of the Loans by value in the Provisional Completion Mortgage Pool are secured by Properties located in the South East of England,

approximately 6.83 per cent. of the Loans by value in the Provisional Completion Mortgage Pool are secured by Properties located in the South West of England, approximately 13.51 per cent. of the Loans in the Provisional Completion Mortgage Pool are secured by Properties located in Greater London (the outer area) and approximately 8.79 per cent. of the Loans by value in the Provisional Completion Mortgage Pool are secured by Properties located in Inner London. Such concentrations may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. (See "*Characteristics of the Provisional Completion Mortgage Pool*").

Lack of Control by Holders

The servicing of the Loans will be carried out by the Mortgage Administrator (with input, in certain circumstances, from the Special Servicer). The holders of Notes and MERCs will have no right to consent to, or approve of, any actions set forth in the Mortgage Administration Agreement. (See "*Administration, Servicing and Cash Management of the Mortgage Pool — Mortgage Administration Agreement and Special Servicer Agreement*").

Payments by Debit Card

Payments made by Borrowers using debit cards may be cancelled by such Borrower giving written notice within a year of the relevant payment that such payment should not have been made.

Legal Considerations

Scottish Loans

Approximately 6.00 per cent. of the Initial Loans in the Provisional Completion Mortgage Pool by value are secured over Properties situated in Scotland ("**Scottish Loans**") and are originated by BPMF, FPMF, HPMF, RiPMF, SJPMF or KMC (whether as RPMF or as agent on behalf of BPMF, FPMF, NPMF, RiPMF or SJPMF). These Loans are secured over the relevant Properties by way of standard security (equivalent to a legal charge in England and Wales), being the only means of creating a fixed charge or security over heritable property (i.e. land and buildings thereon) in Scotland. The beneficial interest in the Scottish Loans (together with the security thereof) will be transferred to the Issuer pursuant to a declaration or declarations of trust (collectively the "**Scottish Trust**"). In respect of Scottish Loans, references herein to a "*mortgage*" and a "*mortgagee*" are to be read as references to such a standard security and the heritable creditor thereunder, respectively. (See "*Characteristics of the Provisional Completion Mortgage Pool*").

A statutory set of "*Standard Conditions*" is automatically imported into all standard securities although the majority of these conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary the Standard Conditions by a "**Deed of Variations**", the terms of which are in turn imported into each standard security. KMC, BPMF, FPMF, HPMF, NPMF, RiPMF and SJPMF have executed Deeds of Variations of Standard Conditions with a view to assimilating their Scottish Loans and English Loans from an operational viewpoint (subject to such limitations as are inherent to the differences between Scots and English law).

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement.

Generally, where a breach by a borrower entitles the lender to require repayment, an appropriate statutory notice must first be served. Firstly, the lender may serve a "**calling up notice**" with which the borrower has two months to comply, failing which the lender may enforce its rights under the standard security by sale or the other remedies provided by statute (court application only being necessary when the borrower fails to vacate the property). Alternatively, in the case of remediable breaches the lender may serve a "**notice of default**", in which event the borrower has only one month in which to comply, but also has the right to object to the notice by court application within fourteen days of the date of service. In addition, the lender may in certain circumstances make direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case, and the

relevant Originator and/or Park will in practice proceed with the remedy most likely to be effective in enforcing or protecting its security.

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

Prefunded Loans

There can be no certainty that the Prefunded Loans will have a similar proportion of Scottish Loans, Interest Only Loans, self-certified Loans, or similar non-owner occupied or geographic concentrations as the Provisional Initial Mortgage Pool. As to other important considerations relating to the Prefunded Loans, please see "*Yield and Prepayment Considerations*" above.

Equitable Interest and Declaration of Trust

Legal title to the Mortgages in the Mortgage Pool over registered land in England and Wales or any land in Scotland has, since origination, remained, and will remain, with the relevant Originator. The sale by the Parks and the Originators to DACS 22, and the subsequent sale by DACS 22 to the Issuer, of Mortgages over such land will take effect in equity (or, in the case of Mortgages over land in Scotland, by means of the Scottish Trust) only, since, save in the circumstances set out below, no application will be made to the Land Registry, the Central Land Charges or the Registers of Scotland to register or record the Issuer as legal owner or heritable creditor of such Mortgages. Neither the Issuer nor the Trustee will apply to the Land Registry, the Central Land Charges Registry or the Registers of Scotland to register or record their interest in such Mortgages. (See "*Title to the Mortgage Pool*" below).

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages by not registering or recording their respective interest in the Land Registry or the Registers of Scotland (where applicable), a bona fide purchaser from the relevant Originator for value of any of such Mortgages without notice of any of the interests of DACS 22, the Issuer or the Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Issuer and the Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Borrowers or insurance companies and the relevant Originator or Park, as the case may be). However, the risk of third party claims obtaining priority to the interests of DACS 22, the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the relevant Originator or Park or HML of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of HML, the relevant Originator or Park, the Issuer or their respective personnel or agents. (See "*Title to the Mortgage Pool*" below). Furthermore, for so long as neither the Issuer nor the Trustee have obtained legal title, they must join the relevant Originator or Park as a party to any legal proceedings which they may wish to take against any Borrower or in relation to the enforcement of any Mortgage. In this regard, the relevant Originator or Park, as appropriate, will undertake, for the benefit of the Issuer and the Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or may be required by the Trustee in relation to, any legal proceeding in respect of any Mortgage. In the event that the relevant Originator or Park is in administration, discretionary leave of the court may be required to join such Originator or Park as a party to such proceedings.

Effect of the Sale of the Mortgage Pool

The Issuer has considered whether the transfer of the Loans and related security pursuant to the terms of the Mortgage Sale Agreements (including, in the case of the Scottish Loans the declaration of the Scottish Trust)

is effective to transfer to the Issuer the beneficial ownership of (but not, without further steps being taken, the legal estate in or title to) the Loans and Collateral Security. The Issuer has been advised that, subject to certain assumptions and qualifications, on the basis of the principles set out in *Re George Inglefield* [1933] Ch 1, as considered and applied by the Court of Appeal in *Welsh Development Agency v Export Finance Co. Ltd.* [1992] BCC 270, an English court would find the transfer was not made by way of security and therefore would not be void against a liquidator, administrator or creditor of the Originators or the Parks. The Issuer has likewise been advised that, subject to certain assumptions and qualifications, a Scottish court would reach the same conclusion in relation to the Scottish Loans. If a court were to find otherwise, investors could be adversely affected.

Enforcement

Even assuming that the Properties provide adequate security for the Loans, delays could be encountered in connection with enforcement of the Mortgages and recovery of the Loans with corresponding delays in the receipt of related proceeds by the Issuer.

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

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

If a mortgagee takes possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements or may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession.

The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

The courts in Scotland had, until December 2001, considerably less discretion than those in England and Wales to modify or postpone the mortgagee's rights of enforcement but as a result of legislative changes in Scotland the position is now broadly equivalent in each jurisdiction (see "*Risk Factors — Legal Considerations — Scottish Loans*").

Proceedings for the repossession of the relevant property are generally initiated when the borrower is three months in arrears on the mortgage payments.

Consumer Credit Acts 1974 and 2006

Certain mortgage loans (generally excluding all regulated mortgage contracts under the Financial Services and Markets Act 2000 (the "**FSM Act**") are regulated by the Consumer Credit Act 1974 (the "**CCA**") where the "amount of credit" as defined in the CCA does not exceed the financial limit, which is £25,000 for mortgage loans made on or after 1 May 1998 or £15,000 for mortgage loans made before that date.

A regulated credit agreement under the CCA must comply with requirements as to content, layout and execution. Failure to comply with such requirements renders the relevant agreement unenforceable. However, in certain circumstances, non-compliant regulated credit agreements may be enforced with the permission of the courts.

The Department of Trade and Industry (the "**DTI**") published a consultation in July 2001 on raising the financial limit in the CCA, and in March 2002 on raising or removing the financial limit in the CCA. Following a proposal for a new EU Directive on consumer credit (see further below), which, in the form then considered would have removed the financial limit in the existing EU Directive on consumer credit, and following feedback to the DTI consultation, on 16 December 2004, the Consumer Credit Act 2006 has been enacted, having received Royal Assent on 30 March 2006.

The Consumer Credit Act 2006, when implemented, will make some significant amendments to the CCA, including removal of the financial limits in the CCA where the borrower is or includes an individual, unless an exemption applies. Accordingly, any Loan or Further Advance originated after 1 November 2004, other than a regulated mortgage contract under the FSM Act, will be regulated by the CCA unless an exemption applies.

When the amendments to be made to the CCA by the Consumer Credit Act 2006 are implemented (the date of which is yet to be determined) this financial limit of £25,000 will be removed in respect of non-business lending. However lending in any amount to high net worth debtors ("high net worth" not currently defined), and lending of sums in excess of £25,000 to debtors where the consumer credit agreement in question is entered into by the debtor wholly or predominantly for the purpose of a business carried on, or intended to be carried on, by him, will be exempt from most requirements of the CCA.

The removal of the financial limit described above, together with other amendments in the Consumer Credit Act 2006 will therefore: (a) make all Loans subject to some form of regulation (unless an exemption applies); (b) increase the possibility of a challenge to agreements on the basis of "unfairness" (with some retrospective application to existing agreements); (c) set out proportionality principles for courts in their enforcement of consumer credit agreements so that the courts will have discretion in relation to all questions of enforceability; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

Proposed European Directive on Consumer Credit

In September 2002, the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the member states concerning credit for consumers and surety agreements entered into by consumers. The proposal includes (among other things) specific documentation and procedural requirements in respect of loan origination and administration; for example, a key requirement under the proposed Directive is that each further advance must be subject to new underwriting and a new contract. Penalties for non-compliance with these requirements will be determined by the member states, and may include provision that credit agreements that do not comply will be unenforceable against the borrower as a whole or in part.

In its original form, the proposed Directive did not apply to residential mortgage loans for home purchase or home improvement, other than loans where all or part of the mortgage credit is for equity release, such as a further advance. However, there has been significant opposition from the European Parliament to the original form of the proposed Directive, and in April 2004, the European Parliament published a re-drafted form of the proposed Directive, removing all credit secured on real estate (including equity release schemes) from the scope of the proposed Directive. In October 2004, the European Commission published an amended form of the proposed Directive and a further revised proposal for the Directive in October 2005. In this amended form, the proposed Directive will apply to certain types of consumer credit of up to €50,000 but excludes from its scope all mortgage credit agreements. As equity release agreements are classed as mortgage credit agreements for the purposes of this proposal, they fall outside the scope of the proposal. The Commission's

current intention is to address mortgage lending separately and in July 2005, the European Commission issued a Mortgage Credit Green Paper. The Green Paper contains the Commission's initial strategy on better integration of the EU market for mortgages. At this stage, it is too early to predict whether the Commission would recommend any particular legislative (or other) steps to harmonise the EU mortgage sector.

If the proposed Directive is finalised, member states will have two years in which to bring national implementing legislation into force. Until the final text of the Directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the Directive would have on the Loans and/or the Originators and/or the Issuer and/or the Mortgage Administrator and their respective businesses and operations. No assurance can be given that the finalised Directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

Unfair Terms in Consumer Contracts Regulations

The Unfair Terms in Consumer Contracts Regulations 1999, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together, the "**UTCC Regulations**") apply in relation to the Loans. A Borrower may challenge a term in an agreement on the basis that it is "**unfair**" within the meaning of the UTCC Regulations and therefore not binding on the Borrower. In addition, the Office of Fair Trading ("**OFT**") or a qualifying body (as defined in the UTCC Regulations) may seek an injunction (or its equivalent in Scotland) preventing a business from relying on an unfair term.

This will not generally affect "core terms" which set out the main subject matter of the contract, such as the Borrower's obligation to repay principal, but may affect terms deemed to be ancillary terms, which may include terms the application of which are in the Originators' discretion (such as a term permitting the Originator to vary the interest rate), or the ability to impose a charge upon repayment by reference to Mortgage Early Redemption Amounts.

If a term of a Loan permitting the lender to vary the interest rate is found to be unfair, the Borrower will not be liable to pay the increased rate or, to the extent that the Borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set-off the amount of the claim against the amount owing by the Borrower under the Loan. Any such non-recovery, claim or set-off may adversely affect the realisable value of the Loans in the Mortgage Pool and accordingly the ability of the Issuer to meet its obligations in respect of the Notes.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCC Regulations unless the lender (i) notifies the affected borrower in writing at least 30 days before the rate change and (ii) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Originators have reviewed the guidance note and have concluded that their compliance with it will have no material adverse effect on the Loans or their business. The guidance note has currently been withdrawn from the OFT website and is under review by the OFT and the FSA. The FSA has agreed with the OFT to take responsibility for the enforcement of the UTCC Regulations in respect of mortgage contracts regulated under the FSM Act.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission issued a joint consultation LCCP No.166/SLCDP 119 on proposals, *inter alia*, to rationalise the United Kingdom's Unfair Contract Terms Act 1977 and the UTCC Regulations into a single piece of legislation and a final report (incorporating a draft bill) was published on 24 February 2005. The proposals are primarily to simplify the legislation on unfair terms and preserve the existing level of consumer protection. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that in claims brought by consumers, the burden of proof will universally lie

on the business to show that the term is fair. It is too early to tell how the proposals, if enacted, would affect the Loans.

In May 2005, the FSA issued a 'Statement of Good Practice' on the fairness of terms in consumer contracts. The statement applies exclusively to the conduct of FSA regulated firms. The statement provides that the power to vary interest rates during the lifetime of a mortgage contract is not inherently unfair. The statement sets out the FSA's views on how firms may approach drafting as so to avoid the risk of terms being unfair. Accordingly, interest rate variation clauses must be justified on valid reasons (e.g., to allow to respond proportionately to changes in the Bank of England base rate), lenders must notify consumers of the change in advance of entering into the contract and before or immediately after the change occurs and, in particular, lenders must ensure that variation clauses where consumers are 'locked-in' are fair.

No assurance can be given that changes in the UTCC Regulations, if enacted, will not have an adverse effect on the Loans, the Originators or the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to dispose of the Mortgage Pool, or any part thereof, in a timely manner and/or the realisable value of the Mortgage Pool, or any part thereof, and accordingly affect the ability of the Issuer to meet its obligations under the Notes when due.

Under the FSM Act, the Financial Ombudsman Service is required to make decisions on, *inter alia*, complaints relating to the terms in agreements on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

The Financial Ombudsman Service may order a money award to a Borrower, which may adversely affect the value at which the Loans in the Mortgage Pool could be realised and accordingly the ability of the Issuer to meet its obligations under the Notes.

Distance Marketing of Financial Services

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the "**DMD**") has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the "**DMD Regulations**"), as amended, and amendments to MCOB. In essence the DMD requires that in respect of distance contracts (i.e., those contracts where there is no face-to-face contact with the consumer), consumers have the right to receive certain information and, for some financial services, a right to cancel.

The DMD Regulations and MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; certain contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers of distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst others, in the case of contracts for financial services where the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage on land (or in Scotland, a standard security) provided that the requisite information has been given the consumer. The above provisions may be enforced by way of injunction (interdict in Scotland). Any term in a distance contract will be void and unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the DMD Regulations.

Unfair Commercial Practices Directive 2005 ("UCP")

The UCP, of 11 May 2005, seeks to regulate unfair commercial practices across the EU by establishing uniform rules for the protection of consumers. The UCP would apply to all consumer contracts (to the

exclusion of provisions relating to health and safety) and contains a wide prohibition on "unfair commercial practices" with examples of practices which would violate this principle by virtue of being "misleading" or "aggressive". Examples of such conduct include the dissemination of false information at any stage of the relationship or conduct involving harassment, coercion or undue influence. In the event of a conflict between the provisions of the UCP and other pre-existing EU measures, the latter will prevail.

Member States are obliged to adopt national implementing measures by 12 June 2007 and apply these provisions by December 2007. In December 2005, the DTI published a consultation paper considering how the directive should be transposed into United Kingdom domestic law. Until the final details of United Kingdom implementing legislation are published, it is not certain what effect the implementation of the UCP would have on the Loans and/or the Originators, the Issuer and/or the Mortgage Administrator and their respective businesses and operations. No assurance can be given that the UCP will not adversely affect the ability of the Issuer to make payments to Noteholders.

Financial Services Authority

The FSM Act applies to, amongst other things, the conduct of any "**regulated activity**". H.M. Treasury has made (under the FSM Act) the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**Order**"), specifying that entering into "**regulated mortgage contracts**" as lender, administering regulated mortgage contracts, arranging regulated mortgage contracts and advising on regulated mortgage contracts are regulated activities. Agreeing to carry on any of these activities is also a regulated activity. The term "**regulated mortgage contract**" covers, broadly speaking, contracts for the provision of credit to individuals or trustees where the obligation to repay is secured by a first legal mortgage on property in the United Kingdom. A further condition is that at least 40 per cent. of the property in question is used, or intended to be used, as a dwelling by the borrower or by an individual who is a beneficiary of the trust, or a person related to him.

The rules relating to the regulation of mortgages came into effect on 31 October 2004. The main effects are that each entity carrying on a regulated activity is required to hold authorisation and permission from the Financial Services Authority (the "**FSA**") to carry on that activity. Any conduct in relation to a Loan, in breach of the authorisation requirement or the financial promotion requirement contained in the FSM Act renders the relevant Loan unenforceable as against the Borrower, except with the approval of a court with potential compensation payable to the Borrower. In dealing with an application for such approval, the court has the power, if it appears just to do so, to amend the loan agreement or to impose conditions on its performance or to make a time order (for example, giving extra time for arrears to be cleared).

KMC and HML are authorised and regulated by the FSA and have been so authorised and regulated with effect from 31 October 2004. However, BFMP, FPMF and SJPMF do not propose to be authorised persons under the FSM Act. Therefore, in the event that a Park Originated Loan is varied after 31 October 2004, such that a new contract is entered into and the contract constitutes a regulated mortgage contract then the arrangement of, advice on, administration of and entering into of such variation will be carried out by KMC. It is also possible that after the 31 October 2004, the provision of a Further Advance under a Park Originated Loan could, depending on the circumstances in which it is made, constitute a new regulated mortgage contract being entered into. In such circumstances, KMC will enter into any such Further Advance as lender of record.

Under Section 150 of the FSM Act, a borrower (other than one acting in the course of his business) is entitled to claim damages from an authorised person for loss suffered as a result of any contravention by such authorised person of an FSA rule. In the case of such contravention by KMC, a Borrower may claim such damages or may be able to set off the amount of such claim against the amount owed by the Borrower under the relevant regulated mortgage contract. Any such set off may adversely affect the ability of the Issuer to make payments to Noteholders. No assurance can be given that the OFT, the FSA or any other regulatory authority will not in the future take action or that future adverse regulatory developments will not arise with regard to the mortgage market in the United Kingdom generally, RMS 22's particular sector in that market or

specifically in relation to RMS 22. Any such action or developments may have a material adverse effect on KMC, the Issuer or the Mortgage Administrator and their respective businesses and operations. In particular, the cost of compliance with such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Documents.

The Code of Mortgage Lending Practice

KMC is a member of the Council of Mortgage Lenders (the "**CML**") and used to subscribe to the Code of Mortgage Lending Practice (the "**Code**") issued by the CML until 31 October 2004, the date on which it ceased to have effect (the Code remains applicable to Mortgage Loans originated by KMC prior to 31 October 2004). There is no legal requirement for a lender in the residential mortgage market to be a member of the CML. Membership of the CML, and compliance with the Code, is therefore voluntary.

The Code prescribed minimum standards required from Code subscribers in respect of all aspects of their mortgage lending business, from initial marketing of the mortgage products to lending procedures and the subsequent conduct of the mortgage accounts. (See "*Regulation of the United Kingdom Residential Mortgage Market*" below). Since 30 April 1998, subscribers to the Code could not use intermediaries unless such intermediaries were registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (from 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Until 31 October 2004, KMC required that intermediaries used by it subscribe to the Code.

Non-Status Lending Guidelines for Lenders and Brokers

The OFT issued Non-Status Lending Guidelines for Lenders and Brokers (the "**Guidelines**") on 18 July 1997 (revised in November 1997). The Guidelines apply to all loans made to non-status borrowers, defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating, and are therefore applicable to the Loans. The Guidelines are not primary or subordinate legislation. As such they set out certain "principles" to be applied in the context of the "non-status" residential mortgage market.

The Guidelines place certain constraints on lenders in the non-status residential mortgage market in respect of matters such as advertisement of mortgage products, selling methods employed by lenders and their brokers, underwriting, dual interest rates and early redemption payments. (See "*Regulation of the United Kingdom Residential Mortgage Market*" below). KMC has liaised closely with the Office of Fair Trading to ensure that the practices and procedures it is using are in compliance with the Guidelines.

Implementation of Basel II risk-weighted asset framework

On 26 June, 2004, the Basel Committee on Banking Supervision (the "**Basel Committee**") published the text of a new capital accord under the title Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework ("**Basel II**"). Basel II replaces the 1988 Basel Accord and places enhanced emphasis on risk-sensitivity and market discipline. The Basel Committee has stated that it is currently intended that the various approaches under Basel II will be implemented in stages, some from year-end 2006; the most advanced at year-end 2007. If implemented in accordance with its current form, Basel II could affect the risk weighting of the Notes in respect of investors which are subject to Basel II (or any national legislative implementation thereof) following its implementation. Consequently, recipients of this Prospectus should consult their own advisers as to the consequences to and effect on them of the proposed implementation of Basel II. No predictions can be made by the Issuer as to the precise effects of potential changes which might result if Basel II is adopted in its current form.

Insolvency Act 2000

The Insolvency Act 2000 introduced significant changes to the UK insolvency regime, certain provisions of which came into force on 1 January 2003. Under the Insolvency Act 2000, certain "small" companies (which are defined by reference to certain financial and other tests) are able, as part of the company voluntary arrangement procedure, to obtain moratorium protection from their creditors for a period of up to 28 days with the option for creditors to extend the moratorium for a further two months. The Issuer would not be

eligible for the moratorium under current law, given both the present definition of "**small company**" and the availability of an exception for companies which are party to a "**capital market arrangement**" under current regulations. However, it is possible that the Secretary of State for Trade and Industry may by regulation modify any eligibility requirements for the optional moratorium and can make different provisions for different cases. Thus, the Secretary of State has the power to extend or amend the definition of "**small**" companies in the future so that additional companies and/or "**capital market arrangements**" come within the ambit of any relevant legislation. No assurance can be given that this will not be detrimental to the interests of the Noteholders.

Reform of United Kingdom Insolvency Regime

The Enterprise Act 2002 received royal assent on 7 November 2002 and was brought into force on 15 September 2003 by order of the Secretary of State.

The Act inserts a new Section 72A into the Insolvency Act 1986. Under section 72A of the Insolvency Act a secured lender will not have the power to appoint an administrative receiver unless it has a qualifying floating charge which is taken prior to 15 September 2003 or falls within an exception set out in sections 72B to 72G of the Insolvency Act. In particular section 72B sets out an exception in relation to the capital market transactions. The Deed of Charge falls within the capital market exception at section 72B on the following basis.

First, the Deed of Charge includes a qualifying floating charge and is part of a "**capital market arrangement**". An arrangement will be a capital market arrangement if, *inter alia*, it involves a grant of security to a person who holds that security as trustee for a party to the arrangement in connection with the issue of a capital market investment. The role of the Trustee falls within this description.

Secondly, the Notes will constitute "**capital market investments**" given that, *inter alia*, they are debt instruments within Article 77 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and are rated by an internationally recognised rating agency.

Thirdly, debt of more than £50 million or its currency equivalent will be incurred under the Notes.

It should be noted that the government may amend the exceptions in the future by way of statutory instrument.

The Act also removes the Crown's preferential rights in all insolvencies (section 251) and makes provision to ensure that unsecured creditors take the benefit of this change (section 252). Under this latter provision the unsecured creditors will have recourse to the floating charge assets up to a fixed amount (the "**prescribed part**") in priority to the holder of the floating charge concerned. The floating charge assets must be worth at least £10,000 before the prescribed part will apply. The prescribed part will be 50 per cent. of the first £10,000; then 20 per cent. of the rest up to a total of £600,000. The prescribed part will apply to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not. However, this provision is unlikely to be of practical significance in the case of a special purpose entity such as the Issuer which is subject to substantial restrictions on its activities (see Condition 3). As a result of those restrictions the Issuer will only have a limited ability to incur unsecured liabilities (as would any holding company of the Issuer which is subject to similar restrictions).

Risks relating to the Introduction of International Financial Reporting Standards

The United Kingdom corporation tax position of the Issuer depends to an extent on the accounting treatment applicable to the Issuer. From 1 January 2005, the Issuer's accounts are required to comply with International Financial Reporting Standards ("**IFRS**") or with new United Kingdom Financial Reporting Standards reflecting IFRS ("**new UK GAAP**"). There is a concern that companies such as the Issuer, might, under either IFRS or new UK GAAP, suffer timing differences that could result in profits or losses for accounting purposes, and accordingly for tax purposes, which bear little or no relationship to the company's cash position. However, the Finance Act 2005 requires a "**securitisation company**" to prepare tax computations

on a special temporary basis for accounting periods beginning on or after 1 January 2005 and ending before 1 January 2007; that basis is UK GAAP as applicable up to 31 December 2004 ("**old UK GAAP**"), notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer will be a "**securitisation company**" for these purposes.

The Finance (No. 2) Bill (as ordered to be printed by The House of Commons on 28 March 2006 and published on 7 April 2006) includes a proposal to extend the application of old UK GAAP to a "securitisation company" for another year, to accounting periods ending before 1 January 2008.

The stated policy of Her Majesty's Revenue and Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and that they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption through the establishment of a permanent regime.

Section 84 of the Finance Act 2005 enables Her Majesty's Treasury to make provisions by regulations to establish that permanent regime for securitisation companies. Those regulations will apply from the beginning of the accounting period in which the regulations are made.

However, if that permanent regime is not introduced by regulations or the special temporary basis is not extended, then for accounting periods commencing on or after 1 January 2008 (assuming that the Finance (No. 2 Bill is enacted into law), the Issuer (as well as other securitisation companies) may be required to recognise profits or losses as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and therefore Noteholders.

Risks Related to the Detachable A Coupons, C Notes and MERCs

The Detachable A Coupons, C Notes and MERCs are generally more speculative investments than the A Notes, M Notes and B Notes and investors should be aware of the special risks associated with these investments as set forth below.

Detachable A Coupons

Following the initial issuance of the Notes, the Detachable A Coupons may be separated from the A Notes. The Detachable A1a-2009 Coupons, Detachable A1b-2009 Coupons, Detachable A1c-2009 Coupons, Detachable A2c-2009 Coupons, Detachable A3a-2009 Coupons and Detachable A3c-2009 Coupons represent a right to receive interest on the relevant A Notes. This interest shall accrue from the Initial Issue Date and shall cease to be payable on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2009. The Detachable A1a-2011 Coupons, Detachable A1b-2011 Coupons, Detachable A1c-2011 Coupons, Detachable A2c-2011 Coupons, Detachable A3a-2011 Coupons and Detachable A3c-2011 Coupons represent a right to receive interest on the relevant A Notes. This interest will accrue from the Interest Payment Date in November 2009 and shall cease to be payable on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2011. The Detachable A Coupons will represent only the interest entitlement of the A Notes which is specified for the relevant Detachable A Coupons and is payable in sterling (or the Sterling Equivalent of the Principal Amount Outstanding of the A1b Notes, A1c Notes, A2c Notes and A3c Notes at the relevant time) and the holder thereof will have no claim in respect of principal amounts payable under the A Notes. Accordingly, the payment entitlement of the Detachable A Couponholders will be contingent upon the A Notes remaining outstanding. The A Notes will be redeemed as set out above under "*Summary Information — Redemption*" by reference to and the application of Actual Redemption Funds (as defined in Condition 5) which will comprise, *inter alia*, Mortgage Principal Receipts and Available Revenue Funds (as defined in Condition 2) in an amount equal to all the amounts credited to the Principal Deficiency Ledgers on the relevant Interest Payment Date. A high rate of prepayments in respect of the Loans is likely to cause the A Notes to be redeemed quickly and will therefore reduce the value of the Detachable A Coupons. Likewise, if a portion of the A Notes are

redeemed upon the expiry of the Prefunded Loan Period, the value of the Detachable A Coupons will be reduced in proportion to such redemption.

Once Detachable A Coupons are separated from the A Notes, the Detachable A Couponholders will have no voting rights under the Trust Deed or the Conditions. (See "*Summary — Redemption and Post Enforcement Call Option*", "*Weighted Average Lives of the Notes*" and "Sensitivity of the Detachable A Coupons, M Notes, B Notes and MERCs to Prepayments and Realised Losses"). The Detachable A Coupons will not be separately admitted to the Official List nor for separate trading on the Irish Stock Exchange.

C Notes

The C Notes will be issued partly paid with a par value of £12,550,000. If, following the expiry of the Prefunded Loan Purchase Period, the total of the payments made by the C Noteholders on the C Notes is less than the par value of the C Notes, the nominal principal amount of each C Note will equal the total payments made in respect of such C Notes. C Noteholders may be required in accordance with Condition 1 of the C Notes to make further payments on each Prefunded Loan Purchase Date, in an amount notified to the Issuer by the Special Servicer. During the Prefunded Loan Period, C Noteholders will not be permitted to transfer their interest in the C Notes pursuant to Condition 1. The C Notes will be issued in an aggregate Principal Amount outstanding as at the Initial Issue Date of £10,250,000. Following the Initial Issue Date, all Available Revenue Funds are, after paying or providing for items (i) to (xiv) in the Priority of Payments (see Condition 2(c) — Priority of Payments Prior to Enforcement), to be credited to the Reserve Fund (as defined in "*Credit Structure*" herein) until the total amount standing to the credit of the Reserve Fund is £10,800,000, assuming that all of the Prefunded Amount is used to purchase Prefunded Loans. If all Initial Loans pay all scheduled interest payments in full and on time, there would not be sufficient Revenue Receipts to pay any interest on the C Notes for at least the first two Interest Payment Dates. Any interest due on the C Notes not paid on the relevant Interest Payment Date will be deferred until such time as there are sufficient Available Revenue Funds for such purposes, as more fully set out in Condition 6 of the Conditions. Holders of the C Notes will not be entitled to receive any payment of interest unless and until all amounts then due in accordance with items (i) to (xv) of the Priority of Payments prior to enforcement or in accordance with amounts then due in priority pursuant to the Priority of Payments post enforcement, have been paid in full. In the event that Prefunded Loans are purchased by the Issuer during the Prefunded Loan Period, the amount required to be credited to the Reserve Fund will be increased by such amount as is notified to the Issuer by the Special Servicer. Such increase will be funded out of the Principal Level B element of the relevant Prefunded C Note Amount. Costs and expenses associated with a Prefunding will be funded from Principal Level A of the Prefunded C Note Amount, whereas increases or decreases in the Prefunded Shortfall will be credited or debited from Principal Level C of the Prefunded C Note Amount. (See "*Credit Structure*" and "*Sensitivity of the Detachable A Coupons, M Notes, B Notes and MERCs to Prepayments and Realised Losses*").

MERCs

The MERCs represent an entitlement only to amounts received by the Issuer in respect of the obligation of Borrowers, in certain circumstances, to pay Mortgage Early Redemption Amounts (as defined "*The Mortgage Pool*" below). The entitlement of MERC Holders to receive MER Distributions (as defined below — See "*Terms and Conditions of the MERCs*") received by the Issuer from time to time will be contingent upon the Notes remaining outstanding. High rates of prepayment or enforcement of Loans, while being factors that may lead to a reduction in the value of the Detachable A Coupons, are likely to result in increased Mortgage Early Redemption Receipts and thus an increase in the MER Distributions. Correspondingly, lower rates of prepayment or enforcement of Loans or a proportion of the A Notes being redeemed upon the expiry of the Prefunded Loan Period (resulting from some, or all, of the Prefunded Amount not being applied in purchasing Prefunded Loans) are likely to result in reduced MER Distributions. The actual lives of the MERCs cannot be predicted, however, as the actual rate of prepayment of the Loans is unknown. (See "*Summary -Redemption and Post Enforcement Call Option*", "*Weighted Average Lives of the Notes*" and "*Sensitivity of the Detachable A Coupons, M Notes, B Notes and MERCs to Prepayments and Realised Losses*"). The rating of Fitch and

S&P on the MERCs addresses the likelihood of receipt by MERC Holders of Mortgage Early Redemption Amounts actually received by the Issuer if enforceable. Moody's rating of the MERCs addresses the likelihood of receipt by MERC Holders of MER Distributions assuming, without any independent investigation, (i) that payment of the corresponding Mortgage Early Redemption Amount is legally valid, binding and enforceable against the Borrowers, and (ii) that such Mortgage Early Redemption Amount is actually collected from Borrowers, received by the Issuer, and not refunded to the Borrower by the Cash/Bond Administrator.

While MERC Holders will have voting rights amongst themselves, the MERCs will carry no voting rights in respect of the Notes.

As all Initial Loans in the Provisional Completion Mortgage Pool were originated by the Originators between November 2001 to March 2002 and September 2005 to April 2006, no Mortgage Early Redemption Amounts in respect of the Provisional Completion Mortgage Pool are expected to arise after November 2009 (except in the case where a Converted Loan (as defined below in "*Further Advances and Substitutions – Administration, Servicing and Cash Management of the Mortgage Pool*") may give rise to further MER Distributions). No Mortgage Early Redemption Amounts in respect of the Prefunded Loans comprising any Prefunded Mortgage Pool are expected to arise after three years from the relevant Prefunded Loan Purchase Date. (See "*The Mortgage Pool — Mortgage Early Redemption Amounts*").

Following an enforcement of a mortgage, the Borrower's contractual obligations to pay any Mortgage Early Redemption Amount will rank in point of priority after all other amounts secured by the mortgage. (See "*Credit Structure*").

Reliance on Third Parties

The Issuer has engaged HML to administer the Mortgage Pool pursuant to the Mortgage Administration Agreement. While HML is under contract to perform certain mortgage settlement and related administration services under the Mortgage Administration Agreement, there can be no assurance that they will be willing or able to perform in the future. Although the Standby Servicer has been engaged to provide equivalent services under the Standby Servicer Agreement in the event the appointment of the Mortgage Administrator is terminated, there can be no assurance that the transition of servicing will occur without adverse effect on investors or that an equivalent level of performance on collections and administration of the Loans can be maintained by the Standby Servicer as many of the servicing and collections techniques currently employed were developed by HML. (See "*The Mortgage Administrator — Homeloan Management*").

Pursuant to the Fixed Rate Swap Agreements, the Basis Swap Agreement, the Currency Swap Agreements and the Interest Rate Cap Agreements, the Fixed Rate Swap Counterparties, Basis Swap Counterparty, Currency Swap Counterparty and Cap Counterparty (as appropriate) have agreed to provide the Issuer with certain hedges against certain interest rate and currency fluctuations. (See "*Credit Structure — Fixed Rate Swap Agreements, — Basis Swap Agreement, — Currency Swap Agreements, — Interest Rate Cap Agreements*"). Pursuant to the Liquidity Facility Agreement, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility. (See "*Credit Structure — Liquidity Facility*"). Pursuant to the Guaranteed Investment Contract, Barclays has agreed to provide the Issuer with a specific rate of interest on funds on deposit in the GIC Account. (See "*Credit Structure — GIC Account*"). In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

A failure to make timely payment of amounts due to the Currency Swap Counterparty (including any grace periods) would constitute a default under the Currency Swap Agreements. Accordingly, the Issuer will allocate amounts for the purpose of making payments due under the Currency Swap Agreements before allocating any amounts for the purpose of making repayments of principal and payments of interest under the Notes. If the Currency Swap Counterparty is not obliged to make payments of, or it defaults in its obligation to make payments of amounts in U.S. dollars or Euro to the Issuer on an Interest Payment Date equal to the

full amount of interest and principal then due on the U.S.$ Notes and the Euro Notes, the Issuer will be exposed to changes in U.S. dollar or Euro (as appropriate) currency exchange rates and in the associated interest rates on these currencies, and the Issuer as a result may have insufficient funds to make payments due on the Notes.

The Currency Swap Agreements will provide that upon the occurrence of certain events a Currency Swap Agreement may terminate and a termination payment by either the Issuer or the Currency Swap Counterparty will be payable. If the Currency Swap Agreements terminate under circumstances where the Currency Swap Counterparty is the defaulting party or, in certain circumstances, the affected party, any Hedge Subordinated Amounts due by the Issuer will rank below payments of interest on the Notes. If a Currency Swap Agreement terminates under any other circumstances, any payment due by the Issuer will rank *pari passu* with amounts to be applied towards payment of interest on the A1b Notes in the case of the A1b Note Currency Swap Agreement, A1c Notes in the case of the A1c Note Currency Swap Agreement, the A2c Notes in the case of the A2c Note Currency Swap Agreement, the A3c Notes in the case of the A3c Note Currency Swap Agreement, the M1c Notes in the case of the M1c Note Currency Swap Agreement, the M2c Notes in the case of the M2c Note Currency Swap Agreement and the B1c Notes in the case of the B1c Note Currency Swap Agreement. If a Currency Swap Agreement terminates, no assurance can be given about the ability of the Issuer to enter into a replacement currency swap or the credit rating of any replacement currency swap counterparty.

A failure to make timely payment of amounts due to the Fixed Rate Swap Counterparties and Basis Swap Counterparty, as applicable, (including any applicable grace periods) would constitute a default under the Fixed Rate Swap Agreements and Basis Swap Agreement, as applicable. Accordingly, the Issuer will allocate amounts for the purpose of making payments due under the Fixed Rate Swap Agreements and the Basis Swap Agreement, as applicable, before allocating any amounts for the purpose of making repayments of principal and payments of interest under the Notes. If the Fixed Rate Swap Counterparties or the Basis Swap Counterparty, as applicable, is not obliged to make payments of any amounts, or it defaults in its obligation to make payments to the Issuer in accordance with the terms of the Fixed Rate Swap Agreements and Basis Swap Agreement, as applicable, the Issuer will be exposed to changes in associated interest rates, and the Issuer as a result may have insufficient funds to make payments due on the Notes.

The Fixed Rate Swap Agreements and Basis Swap Agreement, as applicable, will provide that upon the occurrence of certain events the Fixed Rate Swap Agreements and the Basis Swap Agreement, as applicable, may terminate and a termination payment by either the Issuer or the Fixed Rate Swap Counterparties and the Basis Swap Counterparty, as applicable, will be payable. If the Fixed Rate Swap Agreements and the Basis Swap Agreement, as applicable, terminate under circumstances where the Fixed Rate Swap Counterparties and the Basis Swap Counterparty, as applicable, is the defaulting party or, in certain circumstances, the affected party, any Hedge Subordinated Amounts due by the Issuer will rank below payments of interest on the Notes. If the Fixed Rate Swap Agreements or the Basis Swap Agreement, as applicable, terminates under any other circumstances, any termination payment due by the Issuer will rank *pari passu* with the A Notes. If the Fixed Rate Swap Agreements or the Basis Swap Agreement, as applicable, terminates, no assurance can be given about the ability of the Issuer to enter into a replacement swap or the credit rating of any replacement counterparty.

Enforcement of Judgments

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. All of the directors of the Issuer are non-residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons with respect to matters arising under the federal securities laws of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. The Issuer has been advised that there is doubt as to the enforceability in the United

Kingdom, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated solely upon such securities laws.

Book-Entry Interests

Unless and until Definitive Notes (including Definitive Detachable A Coupons) and Definitive MERCs (collectively, "**Definitive Instruments**") are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes, Detachable A Coupons and MERCs under the Trust Deed. After payment to the Depository, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to DTC, the Common Depositary or to holders or beneficial owners of Book-Entry Interests. The Depository or its nominee will be the sole legal Noteholder, Detachable A Couponholder and MERC Holder under the Trust Deed while the Notes, Detachable A Coupons and MERCs are represented by the Depository Global Instruments. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Depository, DTC, Euroclear and Clearstream and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any rights of a Noteholder, Detachable A Couponholder or MERC Holder under the Trust Deed.

Holders of beneficial interests in Notes, Detachable A Coupons and MERCs held directly with DTC or through its participants and denominated, or on which payments are otherwise due, in a currency other than U.S. dollars must give advance notice to the Depository 15 days prior to each Interest Payment Date that they wish payments on such Notes, Detachable A Coupons and MERCs to be made to them in sterling or, as appropriate, Euro in respect of such instruments outside DTC. If such instructions are not given, sterling or, as appropriate, Euro payments in respect of such instruments will be exchanged for dollars prior to their receipt by DTC and the affected holders will receive dollars on the relevant Interest Payment Date. (See "*The Depository Agreement — Exchange Rate Agency Agreement and Denomination of Payments*").

Payments of principal and interest on, and other amounts due in respect of, the Depository Global Instruments will be made to the Depository (as holder of the Depository Global Instruments). It is anticipated that the Depository will in turn distribute payments to Cede & Co. (as nominee of DTC) (in the case of the Rule 144A Global Instruments) and to the nominee of the Common Depositary (in the case of the Reg S Global Instruments). Upon receipt of any payment from the Depository, DTC, Euroclear and Clearstream will promptly credit participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests, as shown on their records. The Issuer expects that payments by participants or indirect participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "**street name**", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee, the Depository, any paying agent or registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, Detachable A Couponholders and MERC Holders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders, Detachable A Couponholders or MERC Holders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default (as defined in the Conditions and the MERC Conditions) under the Notes, Detachable A Coupons and MERCs, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream and the Depository unless and until Definitive Instruments are issued in accordance with the relevant Terms and Conditions. There can be no assurance that

the procedures to be implemented by DTC, Euroclear, Clearstream and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed. For a description of the terms of the Depository Agreement, see "*The Depository Agreement*".

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

Because transactions in the Rule 144A Global Instruments may be effected only through DTC, direct or indirect participants in DTC's book-entry system ("**Direct or Indirect Participants**") and certain banks, the ability of a Noteholder, Detachable A Couponholder or MERC Holder to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interests. Certain transfers of Notes, Detachable A Coupons and MERCs, or interests therein, may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. See "*Notice to Investors*".

United States Federal Income Tax Treatment

There are no regulations, published rulings or judicial discussions addressing the characterisation for United States federal income tax purposes of securities with terms substantially the same as the Notes, Detachable A Coupons or MERCs. The Issuer intends to take the position that (a) the A Notes, M Notes, B Notes, Detachable A Coupons and the MERCs are debt of the Issuer for United States federal income tax purposes and (b) the C Notes and the right of DACS 22 to receive the Residual Revenue as deferred consideration under the DACS/RMS 22 Mortgage Sale Agreement are equity interests in the Issuer for United States federal income tax purposes. Assuming the correctness of this position, the Detachable A Coupons, the Rated Notes and the MERCs may be considered to be issued with original issue discount. The Issuer intends to take the position that (a) the Detachable A Coupons and the MERCs are issued with original issue discount and (b) the Rated Notes are not issued with original issue discount. The accrual of original issue discount may require holders to recognise income in advance of payments. See "*United States Taxation — United States holders — Interest Payments and Distributions*".

In the case of the B Notes (and, to a lesser extent, the M Notes) because of the subordination level and, in the case of the Detachable A Coupons and MERCs, because of the absence of a fixed obligation amount and the fact that payments are derivative of receipts on the Loans, such instruments may be treated as equity interests in the Issuer. The Issuer will be considered a "**passive foreign investment company**" for United States federal income tax purposes; however, the Issuer does not intend to provide information which would allow investors to elect "**qualified electing fund**" treatment with respect to the Issuer. As a result, United States holders of Notes, Detachable A Coupons or MERCs which are deemed to be equity interests in the Issuer will be subject to a special tax regime which would tax gain at ordinary income rates and apply an "**interest charge**" on gain and "**excess distributions**". See "*United States Taxation — United States holders — Investment in a Passive Foreign Investment Company*". Alternatively in the case of the MERCs, United States holders could be treated as owning undivided interests in some or all of the Issuer's assets. In such case, the timing and character of gain, loss and income to the United States holder may be different than that described under "*United States Taxation*". Prospective investors should consult their tax advisors regarding the tax consequences of investing in the Notes, Detachable A Coupons and MERCs.

Risk of Foreign Exchange Rate Fluctuations; European Monetary Union

Prior to the maturity of the Notes the United Kingdom may become a participating member state in Economic and Monetary Union and the Euro may become the lawful currency of the United Kingdom. Adoption of the Euro by the United Kingdom may have the following consequences: (i) all amounts payable in respect of the

Sterling Notes, Detachable A Coupons and the MERCs may become payable in Euro; (ii) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or Detachable A Coupons or changes in the way those rates are calculated, quoted and published or displayed; and (iii) the Issuer may choose to redenominate the Sterling Notes into Euro and take additional measures in respect of the Notes. (See "*Terms and Conditions of the Notes — Condition 18 — European Economic and Monetary Union*").

The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Sterling Notes, Detachable A Coupons or MERCs.

CREDIT STRUCTURE

The Notes and MERCs will not be obligations of DACS 22, any of the Parks, the Originators, KML, KG, the Trustee, the Fixed Rate Swap Counterparties, the Basis Swap Counterparty, the Cap Counterparty, the Currency Swap Counterparty, the GIC Provider, the Special Servicer, the Standby Servicer, the Standby Cash/Bond Administrator, the Liquidity Facility Provider, the Managers or anyone other than the Issuer and will not be guaranteed by any such party. None of DACS 22, the Parks, the Originators, KML, KG, the Trustee, the Fixed Rate Swap Counterparties, the Basis Swap Counterparty, the Cap Counterparty, the Currency Swap Counterparty, the GIC Provider, the Special Servicer, the Standby Servicer, the Liquidity Facility Provider, the Managers nor anyone other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes or MERCs.

As a condition to the issue of the Notes, the A1 Notes are expected to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The A2 Notes are expected to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The A3 Notes are expected to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The M1 Notes are each to be rated at least AA by S&P, Aa3 by Moody's and AA by Fitch. The M2 Notes are each to be rated at least A by S&P, A3 by Moody's and A by Fitch. The B1 Notes are each to be rated at least BBB by S&P, Baa3 by Moody's and BBB by Fitch and the B2 Notes are each to be rated at least BB by S&P, Ba3 by Moody's and BB by Fitch. As a condition to the issue of the MERCs, the MERCs are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The issue of the C Notes is not conditional upon a rating. In the event that Coupons Stripping (see below) takes place in respect of the Detachable A Coupons (as defined in the Conditions), the Detachable A Coupons are to be rated AAA by S&P, Aaa by Moody's and AAA by Fitch. The risk characteristics of the Detachable A Coupons and the MERCs differ from those of the Notes as set out under "*Risk Factors*" above.

Moody's rating of the MERCs addresses the likelihood of receipt by MERC Holders of MER Distributions, assuming without any independent investigation, (i) that payment of the corresponding Mortgage Early Redemption Amount is legally valid, binding and enforceable against the Borrowers, and (ii) that such Mortgage Early Redemption Amount is actually collected from Borrowers, received by the Issuer and not refunded to the Borrower by the Cash/Bond Administrator. The rating of Fitch and S&P on the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Redemption Amounts actually received by the Issuer if enforceable.

The Detachable A Coupons and the MERCs are extremely sensitive to the rate of prepayments, which the ratings do not address. In the event that prepayments of Loans by Borrowers are faster or slower than anticipated, investors in the Detachable A Coupons or MERCs respectively may fail to recover their initial investment.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, downgrade, qualification, suspension or withdrawal at any time by any of the Rating Agencies. The structure of the credit arrangements may be summarised as follows:

Credit Support for the Notes Provided by "Available Revenue Funds"

The interest rates payable by Borrowers in respect of the Loans vary in respect of different Borrowers and different types of Loans. It is anticipated that, on the Initial Issue Date, the weighted average interest rate payable by Borrowers on the Initial Loans including the payment of the same interest rate on an amount equal to the Prefunded Amount will, assuming that all of the Loans are fully performing and that no extraordinary expenses have been incurred by the Issuer, exceed the amounts payable under items (i) to (xiv) of the Priority of Payments by an amount, calculated as a percentage of the principal balance of the Mortgage Pool, which is approximately 1.25 per cent. The actual amount of the excess will vary during the life of the Notes; two of the key factors determining such variations are the level of delinquencies experienced and the weighted average interest rate in each case on the Mortgage Pool. Available Revenue Funds may be applied (after making

payments or provisions ranking higher in the Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency (as defined below).

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Interest Payment Date exceeds the amount required to meet items (i) to (xiv) of the Priority of Payments such funds are available to replenish the Reserve Fund which is itself available to be drawn upon on any other Interest Payment Date upon which there exists any Income Deficiency or any Principal Deficiency (each as defined below).

To the extent that the Available Revenue Funds on the relevant Interest Payment Date are sufficient thereof, each amount referred to in items (i) to (xix) of the Priority of Payments shall, as the case may require, be paid to the persons entitled thereto, applied or provided for on such Interest Payment Date and, after such payment, application or provision, it is not expected that any surplus will be accumulated in the Issuer in excess of the Issuer Turn (as defined in "**Residual Revenue**" below).

Income Deficiencies

On each day which falls 3 Business Days prior to an Interest Payment Date (a "**Determination Date**"), the Issuer will determine whether the credit balance of the Revenue Ledger (the "**Initial Available Revenue**") is sufficient to pay or provide for payment of items (i) to (xiii) inclusive other than items (vi), (viii), (x) and (xii) under the Priority of Payments. To the extent that the credit balance is insufficient (the amount of any deficiency being an "**Income Deficiency**"), the Issuer shall pay or provide for such Income Deficiency (i) first, by applying all amounts standing to the credit of the Reserve Ledger and (ii) secondly, once all amounts standing to the credit of the Reserve Ledger have been applied, (but only to the extent permitted as set out under "*Liquidity Facility*" below) by applying amounts standing to the credit of the Liquidity Ledger.

Reserve Fund

In order to provide limited coverage for Income Deficiencies, including Interest Shortfalls on the Rated Notes and Principal Deficiencies arising from time to time and any extraordinary costs and expenses incurred by the Issuer, including costs and expenses incurred on the appointment of any substitute administrator or any transfer or further delegation of the administrator's responsibilities, the Issuer will establish a reserve fund (the "**Reserve Fund**") in the initial amount of approximately £7,200,000 rising to £10,800,000 immediately after the Prefunded Loan Period (assuming the aggregate Balance of the Loans in the Mortgage Pool equals the equivalent of approximately £800,000,000, such amount being reduced *pro rata* if the Mortgage Pool is less than approximately £800,000,000) or such lesser amount thereafter as agreed with the Rating Agencies as required to maintain the then current ratings of the Notes. The Reserve Fund will be funded by Principal Level B of the Initial C Note Amount, after providing for the Contingency Reserve, and Principal Level B of the Prefunded C Note Amount and from time to time, any Available Revenue Funds. If Reserve Fund Cap Receipts (as defined below) are received by the Issuer, the Issuer will credit such amounts to the Reserve Fund and will utilise these amounts to satisfy Income Deficiencies prior to utilising the remaining balance of the Reserve Fund.

If, on any Interest Payment Date, the amount of the Reserve Fund exceeds the Reserve Fund Required Amount (as defined below) the amount by which the Reserve Fund exceeds the Reserve Fund Required Amount (the "**Reserve Fund Excess**") shall be applied towards repayment of interest in respect of the C Notes. Following the repayment of interest in respect of the C Notes, any balance of such excess will be applied, firstly to redeem Principal Level A of the C Notes, secondly, to redeem Principal Level B of the C Notes, thirdly, to redeem Principal Level C of the C Notes and thereafter, subject to item (xix) of the Priority of Payments Prior to Enforcement (Condition 2(c) the balance of any such excess (the "**Residual Reserve**") shall be paid by the Issuer to the person entitled to the Residual Revenue.

"**Reserve Fund Required Amount**" means the aggregate of the Reserve Fund Base Amount and the Reserve Fund Cap Amount (as defined below).

"**Reserve Fund Base Amount**" means £10,800,000, provided that, on each Interest Payment Date falling on or after the first Interest Payment Date on which the Reserve Fund is equal to or greater than 2.7 per cent. of the aggregate Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) (the "**Reserve Fund Determination Date**") and if:

(i) all balances on each of the sub-ledgers of the Principal Deficiency Ledger are zero;

(ii) no amount in the Liquidity Facility has been drawn before the relevant Reserve Fund Determination Date;

(iii) the Reserve Fund Base Amount is equal to or greater than 2.70 per cent. of the then aggregate Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) as of the relevant Reserve Fund Determination Date;

(iv) the total balance of all Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 22.50 per cent. of the then total balance of all the Loans in the Mortgage Pool;

(v) the total balance of all Loans foreclosed in the Mortgage Pool does not exceed 2.25 per cent. of the original balance of the Mortgage Pool; and

(vi) the total losses suffered by the Issuer from the Initial Issue Date until the relevant Reserve Fund Determination Date are lower than 1.25 per cent. of the original balance of the Mortgage Pool,

then the Reserve Fund Base Amount will be reduced to an amount equal, on such Reserve Fund Determination Date, to the greater of £5,400,000 and 2.70 per cent. of the then Principal Amount Outstanding of the Rated Notes.

"**Reserve Fund Cap Amount**" means an amount equal to (i) all proceeds received from the Cap Counterparty under the Interest Rate Cap Agreement other than (a) amounts paid to the Issuer on early termination of the Interest Rate Cap Agreement that are to be used and are used to pay any premium to a replacement Cap Counterparty to enter into a replacement Interest Cap Agreement and (b) amounts applied in accordance with items (i) to (xiv) of the Priority of Payments Prior to Enforcement (Condition 2(c)) on the Interest Payment Date on which such proceeds are received or if such proceeds are received other than on an Interest Payment Date, on the next immediately following Interest Payment Date (the "**Reserve Fund Cap Receipts**") less (ii) all amounts withdrawn from the Reserve Fund, though not exceeding an aggregate amount equal to the Reserve Fund Cap Receipts.

On any Interest Payment Date to the extent that amounts are available after payment of any amounts under items (i) to (xiv) of the Priority of Payments Prior to Enforcement (Condition 2(c), the excess, if any, will be deposited in the Reserve Fund to the extent necessary to replenish and maintain the Reserve Fund Required Amount as set out under item (xv) of the Priority of Payments. All amounts credited to the Reserve Fund will be recorded in a ledger for that purpose (the "**Reserve Ledger**").

On any Interest Payment Date on which the Notes are redeemed in full, the Reserve Fund will be applied towards Available Revenue Funds.

Contingency Reserve

On the Initial Issue Date, the Issuer will establish a reserve fund from part of Principal Level B of the Initial C Note Amount (the "**Contingency Reserve**") in an amount of £150,000 or such other amount as may be agreed with the Rating Agencies, for the purposes of holding an amount to cover exceptional extraordinary expenses that may arise whilst the Rated Notes are outstanding and are not as at the Initial Issue Date identifiable costs. Such costs may include, for example, initially unforeseen additional expenses required to appoint a successor Mortgage Administrator or Cash/Bond Administrator following a termination of the relevant appointment and/or additional enforcement costs or cost associated with perfecting security over assets of the Issuer. Amounts will only be withdrawn from the Contingency Reserve, prior to enforcement of the Security, if the

Rating Agencies have confirmed that such withdrawal would not adversely affect the then rating of the Notes. The amount of the balance standing to the credit of the Contingency Reserve shall not otherwise be included as Available Revenue Funds prior to enforcement of the Security.

Liquidity Facility

The Issuer will be entitled from time to time on any Business Day (as defined in the Conditions) prior to enforcement of the Security to make drawings up to the Liquidity Maximum Amount (as defined below) to be used in accordance with the Priority of Payments under a 364 day facility (the "**Liquidity Facility**"), renewable by agreement with the parties thereto, entered into between, *inter alios*, Barclays Bank PLC (the "**Liquidity Facility Provider**") and the Issuer pursuant to the terms of a liquidity facility agreement, as set out in the Master Securitisation Agreement and Schedule 7 thereto (together, the "**Liquidity Facility Agreement**") (any such drawings to be initially credited to the GIC Account and recorded by the Cash/Bond Administrator in a ledger established for such purposes (the "**Liquidity Ledger**")) to the extent that, after the application of amounts standing to the credit of the Reserve Ledger there are insufficient amounts to meet all of items (i) to (xiii) (other than items (vi), (viii), (x) and (xii)) of the "*Priority of Payments Prior to Enforcement*" under "*Terms and Conditions of the Notes — Status, Security and Administration*" in full on that Interest Payment Date provided that no drawings from the Liquidity Ledger may be made to meet interest payments on the M Notes or the B Notes, as the case may be, to the extent that, after the application of the Initial Available Revenue and any amounts standing to the credit of the Reserve Fund, the M1 Principal Deficiency Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the M1 Notes or, as the case may be, the M2 Principal Deficiency Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the M2 Notes or, as the case may be, the B1 Principal Deficiency Ledger would have a debit balance equal to or greater than 20 per cent. of the aggregate Principal Amount Outstanding of the B1 Notes or, as the case may be, the B2 Principal Deficiency Ledger would have a debit balance equal to or greater than 20 per cent. of the aggregate Principal Amount Outstanding of the B2 Notes. The amount under the Liquidity Facility available to meet interest payable on the M Notes or the B Notes collectively shall never exceed the Liquidity Maximum Amount less 4.50 per cent. of the aggregate Principal Amount Outstanding from time to time on the A Notes (taking the Sterling Equivalent of the A1b Notes, A1c Notes, A2c Notes and A3c Notes).

Drawings credited to the Liquidity Ledger on any Interest Payment Date will be transferred to the Revenue Ledger on that Interest Payment Date for application in accordance with the Priority of Payments. Likewise, any amounts to be credited to the Liquidity Ledger in accordance with the Priority of Payments will be transferred from the Revenue Ledger to the Liquidity Ledger on the relevant Interest Payment Date and thereafter (but only prior to the Liquidity Drawdown Date as defined below) will be utilised in repaying amounts outstanding under the Liquidity Facility.

If, at any time, the short term credit rating of the Liquidity Facility Provider falls below the highest short term rating accorded by any of the Rating Agencies or the Liquidity Facility Provider has its short term rating withdrawn or suspended by any of the Rating Agencies, and the Liquidity Facility is not renewed or replaced by an alternative Liquidity Facility such that the then current rating of the Notes is not adversely affected, the Issuer will forthwith draw down the entirety of the undrawn portion of the Liquidity Facility to be credited to the GIC Account and credit such amount to the Liquidity Ledger. The date upon which such amount is drawn down is the "**Liquidity Drawdown Date**".

Amounts credited to the Liquidity Ledger up to the Liquidity Drawn Amount (as defined below) pursuant to item (iv) of the Priority of Payments will be capable of being redrawn under the Liquidity Facility (together, as the case may be, with other undrawn amounts under the Liquidity Facility prior to the Liquidity Drawdown Date) or from the Liquidity Ledger (on or after the Liquidity Drawdown Date) on any Interest Payment Date to the extent set out above in this section.

"**Liquidity Drawn Amount**" means, on any Determination Date, the amount then drawn under the Liquidity Facility and not repaid together with all accrued interest up to (but excluding) the next Interest Payment Date.

"**Liquidity Maximum Amount**" means:

(i) £41,900,000 on the Initial Issue Date (the "**Initial Liquidity Maximum Amount**") being the amount of the original Liquidity Facility or, following each Prefunded Loan Purchase Date, an amount specified by the Rating Agencies, expected to be £56,000,000 in total; and

(ii) on each Interest Payment Date falling on or after the first Interest Payment Date on which the Initial Liquidity Maximum Amount is greater than or equal to 15 per cent. of the Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) following application of Actual Redemption Funds on such Interest Payment Date, the greater of:

(a) 15 per cent. of the Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) on the relevant Interest Payment Date; or

(b) £8,000,000,

provided that the Liquidity Maximum Amount shall at no time be reduced to an amount less than the Liquidity Drawn Amount outstanding.

The Liquidity Maximum Amount may be reduced following partial or full repayment of any Notes, subject to obtaining confirmation from the Rating Agencies that such reduction will not result in a qualification, suspension, withdrawal or downgrade of, or otherwise adversely affect, the then current rating of the Notes outstanding.

Residual Revenue

Subject to the prior payment in full, on the relevant Interest Payment Date, of amounts then due in priority pursuant to the Priority of Payments Prior to Enforcement, the Issuer shall, on such Interest Payment Date, pay to DACS 22 as deferred consideration payable under the DACS/RMS 22 Mortgage Sale Agreement an amount calculated as being the aggregate of the balance of Available Revenue Funds (after payment of items (i) to (xviii) of the Priority of Payments Prior to Enforcement) less an amount equal to 0.01 per cent. of the aggregate Principal Amount Outstanding in respect of the Notes on the immediately preceding Determination Date (the "**Issuer Turn**" and recorded in the "**Issuer Turn Ledger**") and less amounts in respect of any Reserve Fund Excess to be used to redeem the C Notes (the "**Residual Revenue**").

Collection Accounts

Payments by Borrowers in respect of amounts due under the Loans will be made in the majority of cases by direct debits, into one of two accounts both in the name of KMC (the two accounts are referred to as the "**Collection Accounts**") at Barclays, acting through its branch at 5 The North Colonnade, Canary Wharf, London E14 4BB pursuant to the bank agreement, as set out in the Master Securitisation Agreement and Schedule 9 thereto (together, the "**Bank Agreement**"), between the Issuer, the Originators, the Parks, KML, Barclays and the Trustee. No payments from Borrowers with mortgage loans from the Originators which are not Loans will be paid into the Collection Accounts. The Originators will declare a trust over the Collection Accounts in favour of the Issuer and the Trustee.

GIC Accounts

All amounts received from Borrowers will, except in certain limited circumstances, be credited initially to the Collection Accounts and will be transferred daily to the GIC account (the "**GIC Account**") in the name of the Issuer at Barclays (the "**GIC Provider**"), acting through its branch at 5 The North Colonnade, Canary Wharf, London E14 4BB who will contract, on the terms set out in the Master Securitisation Agreement and Schedule 10 thereto (together, the "**Guaranteed Investment Contract**"), to pay a specific rate of interest on funds on deposit in the GIC Account. The short term, unsecured, unguaranteed and unsubordinated debt

obligations of Barclays are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The Collection Accounts and the GIC Account shall together be referred to as the "**Bank Accounts**".

Prefunded Loans Ledger

On the Initial Issue Date, the Prefunded Amount will be paid into the GIC Account and recorded by the Cash/Bond Administrator in the Prefunded Loans Ledger. Sums may be debited from this account during the Prefunded Loan Period to purchase Prefunded Loans (see "*Summary Information — Prefunding*" above). Upon the expiration of the Prefunded Loan Period, funds remaining to the credit of the Prefunded Loans Ledger will be credited to the Actual Redemption Funds and will be applied in the *pro rata* redemption of the Rated Notes.

Tranche C Ledger

On the Initial Issue Date and on each Prefunded Loan Purchase Date, Principal Level C of the C Notes, will be paid into the GIC Account and recorded by the Cash/Bond Administrator in a ledger established for such purposes (the "**Tranche C Ledger**"). Sums shall be debited from this Ledger following each Prefunded Loan Purchase Date by an amount notified to the Issuer by the Special Servicer and agreed with the Rating Agencies. Such sums shall be applied in and towards the repayment of principal on the Principal Level C of the C Notes. The payment of principal and interest on the Principal Level C of the C Notes will otherwise be subject to and made in accordance with the Priority of Payments.

Fixed Rate/Discount Collateral Ledger

On the Initial Issue Date and on each Prefunded Loan Purchase Date, an amount held within the GIC Account will be identified for Fixed Rate Collateral and Discount Collateral purposes by the Cash/Bond Administrator and recorded in a ledger for such purposes (the "**Fixed Rate/Discount Collateral Ledger**") and notice thereof will be given to the Rating Agencies on the Initial Issue Date and the Prefunded Loan Purchase Date (as applicable). Amounts will be debited on each Interest Payment Date during the Discount Period and Fixed Rate Period by reference to the principal amount outstanding of Discount Mortgages and Fixed Rate Mortgages in the Mortgage Pool on the relevant Interest Determination Date (such debited amounts being "**Fixed Rate/Discount Collateral Release Amounts**") and be available to the Issuer as Available Revenue Funds.

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising five sub-ledgers, known as the "**A Principal Deficiency Ledger**", the "**M1 Principal Deficiency Ledger**", the "**M2 Principal Deficiency Ledger**", the "**B1 Principal Deficiency Ledger**" and the "**B2 Principal Deficiency Ledger**" respectively, will be established in order to record losses on the Mortgage Pool (each respectively the "**A Principal Deficiency**", the "**M1 Principal Deficiency**", the "**M2 Principal Deficiency**", the "**B1 Principal Deficiency**", the "**B2 Principal Deficiency**" and together the "**Principal Deficiency**"). Any losses on the Mortgage Pool shall be debited to the B2 Principal Deficiency Ledger (such debit items being recredited at item (xiv) of the Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the B2 Notes (the "**B2 Note Principal Deficiency Limit**") and thereafter, such amounts shall be debited to the B1 Principal Deficiency Ledger (such debit items being recredited at item (xii) of the Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the B1 Notes (the "**B1 Note Principal Deficiency Limit**") and thereafter, such amounts shall be debited to the M2 Principal Deficiency Ledger (such debit items being recredited at item (x) of the Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the M2 Notes (the "**M2 Note Principal Deficiency Limit**") and thereafter, such amounts shall be debited to the M1 Principal Deficiency Ledger (such debit items being recredited at item (viii) of the Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the M1 Notes (the "**M1 Note Principal Deficiency Limit**") and thereafter, such amounts shall be debited to the A

Principal Deficiency Ledger (such debit items being recredited at item (vi) of the Priority of Payments and will relate to the A1 Notes, the A2 Notes and A3 Notes on a *pro rata* basis).

Authorised Investments

Funds of the Issuer will be deposited into the GIC Account, and if in the opinion of the Issuer the rate of interest earned is likely to exceed the rate of interest paid on the GIC Account, the Issuer will be entitled to invest on any given Interest Payment Date in accordance with applicable laws and regulations all such funds standing to the credit of the GIC Account in certain investments with a short term unsecured, unguaranteed and unsubordinated rating of at least A-1+ from S&P, P-1 from Moody's and F1+ from Fitch or, with the consent of the Rating Agencies, the equivalent short term rating from another internationally recognised agency or long-term unguaranteed and unsubordinated rating of at least AA- from S&P, Aa1 from Moody's and AA- from Fitch, or with the consent of the Rating Agencies, the equivalent long term unguaranteed and unsubordinated ratings, provided that such investments mature on or prior to the Interest Payment Date on which the cash represented by such investments is required by the Issuer and the rate of return generated by such investments is equal to or greater than the rate of interest specified under the Guaranteed Investment Contract ("**Authorised Investments**").

Use of Proceeds of the C Notes

Approximately £2,614,395 received by the Issuer from the issue of Principal Level A of the Initial C Note Amount will be used for meeting the costs and expenses arising in respect of the Initial Issue. The amount received will be initially paid into the GIC Account and recorded by the Cash/Bond Administrator in a ledger established for such purposes (the "**Start-up Costs Ledger**"). On each Prefunded Loan Purchase Date, an amount (representing Principal Level A in respect of each Prefunded C Note Amount) as required by the Special Servicer will be paid into the GIC Account and recorded by the Cash/Bond Administrator in the Start-Up Costs Ledger to fund ongoing costs and expenses in connection with the purchase of the Prefunded Loans. Such amounts received by the Issuer from the issue of Principal Level B of the C Note Amount will be used in funding the Contingency Reserve and in partially funding the Reserve Fund. Such amount will be paid into the GIC Account and recorded by the Cash/Bond Administrator in the Reserve Ledger. Such amount received by the Issuer from the issue of Principal Level C of the C Note Amount will be used in funding the Prefunded Shortfall and the 13 day shortfall on receipts arising from interest received from Borrowers from the Initial Issue Date up to and including the first Interest Payment Date and interest due to Noteholders up to but excluding the first Interest Payment Date (the "**13 Day Mismatch**") and will be paid into the GIC Account and recorded by the Cash/Bond Administrator in the Tranche C Ledger.

The M Notes, B Notes and C Notes

Holders of the M Notes (the "**M Noteholders**"), B Notes (the "**B Noteholders**") and C Notes (the "**C Noteholders**") will not be entitled to receive any payment of interest unless and until all amounts then due to the A Noteholders and the Detachable A Couponholders have been paid in full, in accordance with the Priority of Payments.

In the event that, on any Determination Date, there are insufficient Available Revenue Funds to make payment in full of interest amounts due and payable on the M Notes and/or the B Notes and/or the C Notes then, to that extent, interest shall be deferred until the next Interest Payment Date on which there are sufficient Available Revenue Funds, as more fully set out in Condition 6.

The A Notes, M Notes, B Notes and C Notes will be constituted by the Trust Deed and will share the same security, although upon enforcement the A Notes will rank in priority to the M1 Notes, which will rank in priority to the M2 Notes, which will rank in priority to the B1 Notes, which will rank in priority to the B2 Notes, which will rank in priority to the C Notes, in point of security. All classes of A Notes will rank in priority to the M1 Notes, the M2 Notes, the B1 Notes, the B2 Notes and the C Notes as to payment of interest and, to the extent set out in Condition 2 and Condition 5 below, principal. The M1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to the M2 Notes,

the B1 Notes, the B2 Notes and the C Notes as to payment of interest and, to the extent set out in Condition 2 and Condition 5 below, principal. The M2 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to the B1 Notes, the B2 Notes and the C Notes as to payment of interest and, to the extent set out in the paragraph above, in Condition 2 and Condition 5 below, principal. The B1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to the B2 Notes and the C Notes as to payment of interest and, to the extent set out in Condition 2 and Condition 5 below, principal. The B2 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank in priority to the C Notes as to payment of interest and to the extent set out in Condition 2 and Condition 5 below, principal. The C Notes will rank *pari passu* without preference or priority amongst themselves for all purposes but will rank after the A Notes, M Notes and B Notes. Interest on the Notes will be payable in arrear as described on the cover page.

Fixed Rate Swap Agreements

A number of loans in the Initial Mortgage Pool comprise Fixed Rate Mortgages. In respect of these mortgages, the Issuer will enter into the Fixed Rate Swap Agreements on or before the Initial Issue Date (see "*Summary Information — The Mortgage Products*" above) to hedge against possible variance in LIBOR.

Each of the Fixed Rate Swap Counterparties will have a right to transfer their obligations under the Fixed Rate Swap Agreements (subject to certain conditions).

Basis Swap Agreement

The Lending Criteria (as defined under "*The Mortgage Pool*" below) permit that Loans comprised in the Initial Mortgage Pool may be linked to LIBOR, meaning that the interest rate payable thereunder is calculated as a specified margin in excess of LIBOR for three month sterling deposits from time to time. LIBOR on all mortgages in the Mortgage Pool is set and re-set 2 Business Days before each of 1 March, 1 June, 1 September and 1 December in each year, and applies from each such quarter date until the day preceding the next such quarter date.

The interest rate payable by the Issuer with respect to the Sterling Notes is also calculated as a margin over Note LIBOR (as described in the Conditions) and the payments made by the Issuer in respect of the Euro Notes (which are calculated as a margin over Note EURIBOR) and the U.S.$ Notes (which are calculated as a margin over Note USD-LIBOR) are each linked to LIBOR through the Currency Swap Agreements (as defined below). LIBOR with respect to the Loans and LIBOR with respect to the Notes is determined according to the same methodology but calculated on different dates because the first day of each Interest Period (and the day on which, consequently, LIBOR with respect to the Notes is determined) will fall approximately 17 days (in respect of Note EURIBOR and Note USD LIBOR) and 15 days (in respect of Note LIBOR) before the date on which LIBOR for the Loans is to be set and the outcome of the two calculations of LIBOR may vary accordingly.

To hedge against such possible variance in Note LIBOR and LIBOR for the Loans, the Issuer will enter into the Basis Swap Agreement with the Basis Swap Counterparty (the "**Basis Swap Agreement**") under which the difference between (a) the amount produced by applying Note LIBOR for a particular Interest Period to the aggregate Balance (as defined under "*Title to the Mortgage Pool — Warranties and Repurchase*" below) of the Loans at the commencement of the relevant Interest Period and (b) the amount produced by applying LIBOR on the Loans for such Interest Period to the aggregate Balance of the Loans at such date, will be paid (i) by the Issuer to the Basis Swap Counterparty if (b) is greater than (a) or (ii) by the Basis Swap Counterparty to the Issuer if (a) is greater than (b), on the Interest Payment Date on which such Interest Period ends.

If payment is to be made by the Basis Swap Counterparty under the Basis Swap Agreement or by the Fixed Rate Swap Counterparties under the Fixed Rate Swap Agreements respectively, such payment will be included in the Available Revenue Funds applied on the relevant Interest Payment Date according to the

Priority of Payments. If a payment is to be made by the Issuer, such payment will be made according to the Priority of Payments out of Available Revenue Funds on the relevant Interest Payment Date.

The Basis Swap Counterparty will have a right to transfer its obligations under the Swap Agreement (subject to certain conditions).

Currency Swap Agreements

The Issuer will enter into currency swap agreements (the "**A1b Note Currency Swap Agreement**" in respect of the A1b Notes, the "**A1c Note Currency Swap Agreement**" in respect of the A1c Notes, the "**A2c Note Currency Swap Agreement**" in respect of the A2c Notes, the "**A3c Note Currency Swap Agreement**" in respect of the A3c Notes, the "**M1c Note Currency Swap Agreement**" in respect of the M1c Notes, the "**M2c Note Currency Swap Agreement**" in respect of the M2c Notes and the "**B1c Note Currency Swap Agreement**" in respect of the B1c Notes, such agreements being together, the "**Currency Swap Agreements**") with Barclays as counterparty (the "**Currency Swap Counterparty**") to hedge against the possible variance between sterling LIBOR, USD LIBOR and/or EURIBOR and against fluctuations in the exchange rate between both sterling and U.S. dollars and sterling and Euro.

Subscription amounts for the U.S.$ Notes (other than in respect of the Detachable A1b Coupons which will be paid in sterling) will be paid by investors in U.S. dollars and subscription amounts for the Euro Notes (other than in respect of the Detachable A1c Coupons, the Detachable A2c Coupons and the Detachable A3c Coupons which will be paid in sterling) will be paid by investors in Euro, but the consideration for the purchase by the Issuer of the Loans and the Collateral Security will be in sterling. Further, collections in relation to the Loans and related Mortgages will be in sterling, but the payment obligations of the Issuer in relation to interest and principal on the U.S.$ Notes (other than in respect of the Detachable A1b Coupons which will be paid in sterling) are denominated in U.S. dollars and the Euro Notes (other than in respect of the Detachable A1c Coupons, Detachable A2c Coupons and the Detachable A3c Coupons which will be paid in sterling) are denominated in Euro.

Under the Currency Swap Agreements, the Issuer will be obliged to pay to the Currency Swap Counterparty on the Initial Issue Date an amount equal to the net proceeds of the issue of the U.S.$ Notes (other than in respect of the Detachable A1b Coupons) in U.S. dollars and an amount equal to the net proceeds of the issue of the Euro Notes (other than in respect of the Detachable A1c Coupons, the Detachable A2c Coupons and the Detachable A3c Coupons) in Euro. In return, the Issuer will be paid the Sterling Equivalent of such U.S. dollar or Euro amount respectively (calculated by reference to the exchange rate specified in the related Currency Swap Agreements ("**Exchange Rate**")) by the Currency Swap Counterparty.

Thereafter, the Currency Swap Counterparty is required to pay on each Interest Payment Date to or at the direction of the Issuer (i) an amount denominated in U.S. dollars calculated by reference to USD LIBOR which is equivalent to the interest due and payable in U.S. dollars in accordance with Condition 4 of the U.S.$ Notes (other than in respect of the Detachable A1b Coupons) on such Interest Payment Date; and (ii) an amount denominated in Euro calculated by reference to EURIBOR which is equivalent to the interest due and payable in Euro in accordance with Condition 4 of the Euro Notes (other than in respect of the Detachable A1c Coupons, the Detachable A2c Coupons and Detachable A3c Coupons) on such Interest Payment Date. In return the Issuer will be required to pay to the Currency Swap Counterparty on each Interest Payment Date an amount in sterling calculated by reference to sterling LIBOR and based on the Sterling Equivalent of the aggregate Principal Amount Outstanding of the U.S.$ Notes and the Euro Notes immediately prior to such Interest Payment Date.

On each Interest Payment Date the Issuer will pay to the Currency Swap Counterparty an amount in sterling equal to the Actual Redemption Funds as at the Determination Date immediately preceding such Interest Payment Date to be applied in redemption of the U.S.$ Notes and the Euro Notes. The Currency Swap Counterparty is required to pay to or at the direction of the Issuer an amount denominated in U.S. dollars which is equivalent to such sterling payment (calculated by reference to the Exchange Rate) insofar as it

relates to the U.S.$ Notes and an amount denominated in Euro which is equivalent to such sterling payment (calculated by reference to the Exchange Rate) insofar as it relates to the Euro Notes.

As at the Initial Issue Date the Currency Swap Counterparty will be required to have a rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least P-1 by Moody's, A-1+ by S&P and F1 by Fitch and its long-term unsecured, unsubordinated and unguaranteed debt obligations of at least A+ by Fitch and A1 by Moody's. If any of the ratings fall below these levels the Currency Swap Counterparty will be obliged to take such remedial action as prescribed in the relevant Currency Swap Agreement (see "*Common Terms of Hedge Agreements*" below).

In addition, if the Currency Swap Counterparty defaults in its obligations under the Currency Swap Agreements resulting in a termination of such agreements, the Issuer will be obliged to enter into a replacement swap agreement with an appropriately rated entity within 30 days of such default unless and for so long as no qualification, suspension, withdrawal or downgrade of the then current rating of U.S.$ Notes or the Euro Notes would occur as a result of such termination or appointment of the replacement swap provider.

Interest Rate Cap Agreement

To hedge against possible variation in Note LIBOR (i) to a rate in excess of 6.75 per cent. in the first 42 months from the Initial Issue Date (the "**First Interest Rate Cap**") and (ii) to a rate in excess of 8.00 per cent. in the first 48 months from the Initial Issue Date (the "**Second Interest Rate Cap**" and together with the First Interest Rate Cap, the "**Interest Rate Cap Agreement**"), the Issuer will enter into the Interest Rate Cap Agreement with Barclays (the "**Cap Counterparty**" and, together with the Currency Swap Counterparty, Fixed Rate Swap Counterparties and the Basis Swap Counterparty, the "**Hedging Providers**", each a "**Hedging Provider**" and the Interest Rate Cap Agreement, the Fixed Rate Swap Agreements, the Basis Swap Agreement and the Currency Swap Agreement (and any successor or replacement thereof) together, the "**Hedging Agreements**"). Under the Interest Rate Cap Agreement, amounts equal to the excess of (a) the amount produced by applying Note LIBOR for the relevant calculation period to the notional amount of £64,000,000 in respect of the First Interest Rate Cap (the "**First Interest Rate Cap Notional Amount**") and £96,000,000 in respect of the Second Interest Rate Cap (the "**Second Interest Rate Cap Notional Amount**") over (b) the amount produced by applying (i) 6.75 per cent. to the Interest Rate Cap Notional Amount for the same period in respect of the First Interest Rate Cap and (ii) 8.00 per cent. to the Second Interest Rate Cap Notional Amount for the same period in respect of the Second Interest Rate Cap, will be paid (if either such figure is positive) by the Cap Counterparty to the Issuer on the next following payment date under the Interest Rate Cap Agreement. The Cap Counterparty will have a right to transfer its obligations under the Interest Rate Cap Agreement (subject to certain conditions).

Common Terms of Hedge Agreements

If any short term or long term debt rating of a Hedging Provider falls below the short term or long term rating level (as the case may be) prescribed in the relevant Hedging Agreement, the relevant Hedging Provider will be obliged to take one or more of the following actions: (i) provide collateral in support of its obligations under the relevant Hedging Agreement in accordance with the swap criteria of the relevant Rating Agency; (ii) procure a guarantee of its obligations under the relevant Hedging Agreement from an appropriately rated entity; (iii) procure a replacement counterparty being another appropriately rated entity who takes a transfer or enters into a replacement swap; or (iv) take such other actions as it may agree with the Rating Agencies as will result in the rating of the Notes (or relevant Euro Notes or U.S.$ Dollar Notes in the case of the Currency Swap Counterparty) following such action being rated no lower than the rating of the relevant Notes immediately prior to the downgrade. Any costs in relation to such remedial action will be borne by the relevant Hedging Provider. The timing and extent of such action required to be taken may vary based on the individual requirements of the Rating Agencies and the level to which the rating of the relevant Hedging Provider has been downgraded.

The Issuer and the Hedging Providers will each represent and warrant in the relevant Hedging Agreements that, under current applicable law, each of them is entitled to make all payments required to be made by them under the relevant Hedging Agreement free and clear of, and without deduction for on account of, any taxes, assessments, or other governmental or regulatory charges. However, neither the Issuer nor the relevant Hedging Providers will be required to indemnify the other party for any withholding taxes or other taxes, assessments or charges imposed on payments under the relevant Hedging Agreements as a result of a change in applicable law.

If any withholding or other taxes, assessments or charges would be imposed on any payments made or required to be made under any of the Hedging Agreements as a result of a change in applicable law and the obligation to deduct or withhold cannot be avoided by the relevant Hedging Providers, the affected party may terminate the relevant Hedging Agreement(s), but only in the case of the Issuer if the Issuer has been directed to do so by the Trustee. If such a tax event occurs with respect to payments due from the Issuer to the relevant Hedging Providers, each of the Issuer and the relevant Hedging Provider must seek to find an alternative office, branch or counterparty to replace itself so that such event ceases.

Apart from for reason of the imposition of withholding tax, each of the Hedging Agreements may be terminated by:

(a) the relevant Hedging Provider in circumstances including, broadly, *inter alia*, where the Issuer is in default by reason of failure by the Issuer to make payments, upon certain insolvency related events affecting the Issuer or acceleration or redemption of the Notes prior to their stated maturity or enforcement of the Security; and

(b) by the Issuer in circumstances, broadly, *inter alia*, where the Hedging Provider is in default by reason of failure by the relevant Hedging Provider to make payments, certain insolvency related or corporate reorganisation events which affect the Hedging Provider, acceleration or redemption of the Notes prior to their stated maturity or enforcement of the Security.

Upon any such termination, an amount may be due between the Issuer and the relevant Hedging Provider (although the Issuer will not have to make such a payment under the Interest Rate Cap Agreements) calculated in accordance with typical ISDA provisions. As to the priority of such a payment see — "*Terms and Conditions of the Notes — Priority of Payments Prior to Enforcement and Priority of Payments Post-Enforcement*" below.

Mortgage Early Redemption Certificates

Origination Costs

The Originators incur certain costs when originating each Loan. These costs include funding costs (debt and equity), fees payable to brokers and solicitors, costs associated with setting up each Loan on the servicing software systems and other fixed and variable costs (together, the "**Origination Costs**"). These Origination Costs are amortised over a period of time against the net income derived from the Loan. If a Loan redeems within three years of the date of the advance, the Borrower is, under the terms of the Loan, obliged to pay an early redemption compensation payment.

Compensation for Origination Costs

The compensation payment payable by a Borrower has been determined by the Originators on the basis of a reasonable amount required to compensate the Originators for the Origination Costs which have not been recovered from the net income derived from the Loan. Details of the amount of compensation payable by Borrowers is set out in the section — "*The Mortgage Pool — Mortgage Early Redemption Amounts — Early Redemption Charge Level*".

The offer letter to Borrowers clearly sets out the Mortgage Early Redemption Amount applicable to the Loan.

Early Redemption

The early redemption of a Loan will generally take place in one of two possible circumstances. The Borrower may voluntarily redeem the Loan when, for example, remortgaging or selling the underlying property or the Loan may be redeemed as a result of enforcement proceedings following default by the Borrower in making scheduled payments. In both circumstances the relevant compensation amount would be payable if such redemption took place within three years of the date of the advance of the Loan. (Compensation payments are not required where redemption of the Loan arises as a consequence of the death of a Borrower).

The Office of Fair Trading (Consumer Affairs Division) has issued non-statutory guidelines relating, *inter alia*, to redemption payments (see — "*Regulation of the United Kingdom Residential Mortgage Market — Non Status Lending Guidelines for Lenders and Brokers*"). The Originators follow the guidelines including those relating to redemption payments.

The MERCs — Pass Through Obligations

The MERCs constitute an obligation on the part of the Issuer to "**pass through**" to MERC Holders Mortgage Early Redemption Amounts. The Rating Agencies have determined their respective ratings of the MERCs on the basis of the Issuer's "**pass through**" obligation and there is no certainty as to the amounts receivable by MERC Holders. There is no certainty as to the amount of Mortgage Early Redemption Amounts that will actually be received by the Issuer. If no Mortgage Early Redemption Amounts are received by the Issuer, regardless of the reason, there is no payment obligation on the Issuer to MERC Holders.

Moody's rating of the MERCs addresses the likelihood of receipt by MERC Holders of MER Distributions. However, it assumes, without any independent investigation, (i) that payment of the corresponding Mortgage Early Redemption Amount is legally valid, binding and enforceable against the Borrowers, and (ii) that such Mortgage Early Redemption Amount is actually collected from Borrowers, received by the Issuer and not refunded to the Borrower by the Cash/Bond Administrator.

The rating of Fitch and S&P on the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Redemption Amounts actually received by the Issuer if enforceable. The MERCs are extremely sensitive to the rate of prepayments, which Fitch's ratings do not address. In the event that prepayments of Loans by Borrowers are faster or slower than anticipated, investors in the MERCs may fail to recover their initial investment.

Factors affecting Mortgage Early Redemption Amounts

A wide range of factors will affect the Mortgage Early Redemption Amounts received by the Issuer including the date of origination of each Loan comprised in the Completion Mortgage Pool, the Prefunded Mortgage Pool and any Substitute Loans, the rate at which Borrowers voluntarily redeem Loans, the number of Loans which are subject to enforcement proceedings, the number of redemptions that arise as a consequence of the death of Borrowers and regulatory changes that prescribe the amount of redemption compensation a lender may charge.

THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales under the Companies Acts 1985 with limited liability as a public limited company on 10 May 2006 with registered number 5812869. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1.00 each, of which 49,999 are held by the Parent and 1 of which is held by the Share Trustee under the terms of the Share Trusts. The entire issued share capital of the Parent is held by the Share Trustee under the terms of the Share Trusts. The Issuer has no subsidiaries.

Directors

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

Name	Address	Principal Activities
Capita Trust Corporate Limited	Phoenix House 18 King William Street London EC4N 7HE	Corporate Director of Securitisation Issuance Companies
Capita Trust Corporate Services Limited	Phoenix House 18 King William Street London EC4N 7HE	Corporate Director of Securitisation Issuance Companies
Steve Colsell	1 Sheldon Square London W2 6PU	Group Finance Director, Kensington Group plc, Director of Securitisation Issuance Companies
Ann Tomsett	1 Sheldon Square London W2 6PU	Director of Group Legal, Kensington Group plc, Director of Securitisation Issuance Companies

The Secretary of the Issuer is Ann Tomsett.

The registered office of the Issuer is at 1 Sheldon Square, London W2 6PU, telephone number: +44 (0) 20 7297 7600.

Activities

The Issuer has been established as a special purpose vehicle to acquire portfolios of residential mortgage loans originated by the Originators and issue asset backed securities. Its activities will be restricted by the terms and conditions of the Documents (as defined in Condition 3) and will be limited to the issue of the Notes and MERCs, the ownership of the Loans and their Collateral Security (as defined under "*Terms and Conditions of the Notes — Status, Security and Administration*" below) and other assets referred to herein, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto. These activities will include (a) the collection of all payments of principal and interest due from Borrowers on Loans; (b) the operation of arrears procedures; (c) the enforcement of Loans and their Collateral Security against Borrowers in default; (d) the determination of the making of Further Advances; and (e) the purchasing of Substitute Loans and Prefunded Loans. Substantially all of the above activities will be carried on by the Mortgage Administrator on an agency basis under the Mortgage Administration Agreement. In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Loans and their Collateral Security against Borrowers in default, the determining of the making of Further Advances and the purchase of Substitute Loans, and other discretionary matters, the Issuer has delegated certain decision making powers to the Special Servicer. Additionally, the Cash/Bond Administrator will

provide cash management and bond reporting services to the Issuer pursuant to the Cash/Bond Administration Agreement. The Issuer (with the consent of the Trustee) or the Trustee may revoke the agency (and, simultaneously, the rights) of the Mortgage Administrator, the Special Servicer and/or the Cash/Bond Administrator upon the occurrence of certain events of default or insolvency or similar events in relation to the Mortgage Administrator, the Special Servicer or, as the case may be, the Cash/Bond Administrator or, in certain circumstances, following an Event of Default (as defined in the Conditions) in relation to the Notes. Following such an event as aforesaid, the Issuer (with the consent of the Trustee) or the Trustee may, subject to certain conditions, appoint substitute administrators and, in regard to mortgage administration functions to be provided by the Mortgage Administrator only, the Standby Servicer has agreed to act as a substitute mortgage administrator pursuant to the provisions of the Standby Servicer Agreement.

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and permit the Issuer, among other things to:

(a) carry on the business of a holding company and for that purpose to acquire and hold shares, stocks, debentures, bonds, notes obligations and securities issued or guaranteed by any company;

(b) subscribe, underwrite, purchase or otherwise acquire, dispose of and deal with any shares or other securities of any nature whatsoever;

(c) purchase or otherwise acquire any property (real or personal) or assets, licenses or other exclusive rights of any kind;

(d) borrow and raise money and to secure or discharge any debt or obligation upon all or any part of the assets of the Issuer;

(e) to issue any securities which the Issuer has power to issue; and

(f) do all such other things as may be considered incidental or conducive to any of the principal objects of the Issuer.

Since its incorporation, the Issuer has not produced any accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Notes, the matters contemplated in this Prospectus, the authorisation of the other Documents referred to in this Prospectus in connection with the issue of the Notes and other matters which are incidental or ancillary to those activities. The Issuer has no employees.

USE OF PROCEEDS

The net proceeds of the issue of the U.S.$ Notes (including the U.S. dollar equivalent of the amount subscribed for and attributable to the Detachable A1b Coupons) are expected to amount to approximately U.S.$326,709,311. The net proceeds of the issue of the Euro Notes (including the Euro equivalent of the amount subscribed for and attributable to the Detachable A1c Coupons, Detachable A2c Coupons and Detachable A3c Coupons) are expected to amount to approximately €341,756,740. The net proceeds of the issue of the Sterling Notes other than the C Notes (including the amount subscribed for and attributable to the Detachable A1a Coupons and the Detachable A3a Coupons) are expected to amount to approximately £398,721,645 and will be applied, together with the delivery of the MERCs and the right to receive Residual Revenue and the net proceeds of the U.S.$ Notes and the Euro Notes (after exchange into sterling at the relevant Exchange Rate), in the purchase by the Issuer of the Completion Mortgage Pool from DACS 22 on the Initial Issue Date. The net proceeds of the issue of the Initial C Notes on the Initial Issue Date are expected to amount to £10,250,000 which may increase or decrease on each Prefunded Loan Purchase Date. No monetary amounts will be received by the Issuer in respect of the issue of the MERCs and therefore no net proceeds will be received by the Issuer in respect of such instruments. The expenses (other than underwriting and selling commissions payable in respect of the Rated Notes) of the issue of the Notes and MERCs are estimated not to exceed £1,214,615 on the Initial Issue Date, and part of the funding for the Reserve Ledger will be met, on the Initial Issue Date, by the Issuer from the net proceeds of the issue of Principal Level A and Principal Level B of the C Notes, respectively. To the extent that, on the Initial Issue Date, the net proceeds of the Rated Notes exceed the purchase price for the Completion Mortgage Pool, that excess will be credited to the Prefunded Loans Ledger on the Initial Issue Date. The Prefunded Shortfall and the 13 Day Mismatch will be funded by Principal Level C of the C Notes.

CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at 28 June 2006.

Share Capital

	£
Authorised	
50,000 Ordinary Shares of £1 each	50,000
Issued	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid up and 49,998 of which are one quarter paid up	12,501.50
	12,501.50
Borrowings[(1)]	
The Notes	810,265,225[(2)]
Total Capitalisation	810,277,727

Notes:

(1) The value of each of the MERCs is contingent upon future events and they are not included under "**Borrowings**" above. (See "*Risk Factors — Risks Related to the Detachable A Coupons, C Notes and MERCs*").

(2) Includes an amount of U.S.$320,000,000 at an exchange rate of £1/U.S.$1.821527 and an amount of Euro 336,100,000 at an exchange rate of £1/Euro 1.452222.

As at 28 June 2006, save as disclosed above, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

THE ORIGINATOR GROUP

Kensington Group plc

KG is a public limited company whose shares are admitted to the official list of the Financial Services Authority in its capacity as competent authority for listing in the United Kingdom and was incorporated in England and Wales under the Companies Acts 1985 and 1989 on 26 April 1995 under the name Framleybrook Ltd. KG was re-registered as a public limited company on 6 November 1995. KG's primary business is holding the entire issued share capital of its subsidiaries (the "**Subsidiaries**" and, together with KG and any other entity that originates assets on behalf of KG from time to time, the "**Group**"). Currently, the primary business of the Subsidiaries who trade under the name of Kensington Mortgage Company, is to originate mortgage loans to borrowers in England, Wales and Scotland. KML, KMC, BPMF, FPMF, HPMF, NPMF, RiPMF and SJPMF are eight of the Subsidiaries. Their principal place of business is at 1 Sheldon Square, London W2 6PU.

Kensington Mortgages Limited

KML is the operating company of the Group and as at May 2006 employed approximately 306 people.

Its registered office is at 1 Sheldon Square, London W2 6PU.

Kensington Mortgage Company Limited, Battersea Park Mortgage Funding Limited, Finsbury Park Mortgage Funding Limited, Hyde Park Mortgage Funding Limited, Newbury Park Mortgage Funding Limited, Richmond Park Mortgage Funding Limited and St James's Park Mortgage Funding Limited

The Parks and the Originators are special purpose companies established solely for the purpose of advancing or acquiring residential mortgage loans to borrowers in England, Wales and Scotland. The Borrowers include the recently self employed, independent contractors, temporary employees and people who may have experienced previous credit problems, being in each case people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital. Neither the Originators nor the Parks have any employees.

THE TRUSTEE

Capita Trust Company Limited

Capita Trust Company Limited has been appointed pursuant to the Trust Deed as Trustee for the Noteholders and the MERC Holders.

The Trustee is a wholly-owned subsidiary of part of The Capita Group PLC. The Trustee is a trust corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

The Trustee's registered office is The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU and its principal place of business is Phoenix House, 18 King William Street, London EC4N 7HE.

The Trustee may retire at any time on giving not less than three months' prior notice to the Issuer without being responsible for any costs occasioned by such retirement. The retirement or removal of the Trustee shall not become effective until a successor trustee being a trust corporation is appointed.

THE FIXED RATE SWAP COUNTERPARTIES, CURRENCY SWAP COUNTERPARTY, INTEREST RATE CAP COUNTERPARTY AND BASIS SWAP COUNTERPARTY, LIQUIDITY FACILITY PROVIDER, GIC PROVIDER AND ACCOUNT BANK

Liquidity Facility Provider, GIC Provider, Account Bank, Counterparty under the Currency Swap Agreement, Interest Rate Cap Agreement, Basis Swap Agreement and a Fixed Rate Swap Agreement.

Barclays Bank PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "**Barclays Bank International Limited**" to "**Barclays Bank PLC**".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Barclays Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group and one of the largest financial services companies in the world by market capitalisation.

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

From 2005, the Barclays Group has prepared financial statements on the basis of International Financial Reporting Standards (collectively IFRS). Based on the unaudited financial information for the year ended 31 December 2005, prepared in accordance with IFRS, the Barclays Group had total assets of £924,170 million, total net loans and advances [1] of £300,001 million, total deposits [2] of £313,811 million, and total shareholders' equity of £24,243 million (including minority interests of £1,578 million). The profit before tax of the Barclays Group for the year ended 31 December 2005 was £5,311 million after charging an impairment loss on loans and advances and other credit risk provisions of £1,571 million.

The Barclays Group's audited financial statements for the year ended 31 December 2004 were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP). On this basis, as at 31 December 2004, the Barclays Group had total assets of £522,253 million, total net loans and advances1 of £330,077 million, total deposits2 of £328,742 million and shareholders' funds of £18,271 million (including £690 million of non-equity funds). The profit before tax under UK GAAP for the year ended 31 December 2004 was £4,612 million after charging net provisions for bad and doubtful debts of £1,091 million.

Counterparty under the second Fixed Rate Swap Agreement.

ABN AMRO Bank N.V.

ABN AMRO Holding N.V. ("**Holding**") is incorporated as a limited liability company under Dutch law by deed of 30 May 1990 as the holding company of ABN AMRO Bank, N.V.. Holding's main purpose is to own ABN AMRO Bank, N.V. and its subsidiaries. Holding owns 100 per cent. of the shares of ABN AMRO Bank, N.V. and is jointly and severally liable for all liabilities of ABN AMRO Bank, N.V.. ABN AMRO

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[1] Total net loans and advances include balances relating to both banks and customer accounts.

[2] Total deposits include deposits from banks and customer accounts.

Bank, N.V. is registered in the Commercial Register of Amsterdam under number 33002587. The registered office of ABN AMRO Bank, N.V. is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

The ABN AMRO group ("**ABN AMRO**"), which consists of Holding and its subsidiaries (including ABN AMRO Bank, N.V.), is a prominent international banking group offering a wide range of banking products and financial services on a global basis through its network of 3,557 offices and branches in 58 countries and territories as of year-end 2005. ABN AMRO is one of the largest banking groups in the world with total consolidated assets of EUR 880.8 billion as at 31 December 2005.

ABN AMRO is the largest banking group in The Netherlands and it has a substantial presence in Brazil and the MidWestern United States. ABN AMRO is one of the largest foreign banking groups in the United States, based on total assets held as of 31 December 2005. ABN AMRO is listed on Euronext and the New York Stock Exchange.

The long-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank, N.V. are currently rated "AA-" by S&P, "Aa3" by Moody's and "AA-" by Fitch. The short-term, unsecured, unsubordinated and unguaranteed debt obligations of ABN AMRO Bank, N.V. are currently rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch.

Any press releases issued by ABN AMRO can be obtained from the ABN AMRO website at http://www.abnamro.com/pressroom.

The information in the preceding five paragraphs has been provided solely by ABN AMRO Bank, N.V. for use in this Prospectus and ABN AMRO Bank, N.V. is solely responsible for the accuracy of the preceding five paragraphs. Except for the foregoing five paragraphs, ABN AMRO Bank, N.V., in its capacity as the Fixed Rate Swap Counterparty and its affiliates have not been involved in the preparation of, and do not accept responsibility for, this Prospectus.

Counterparty under the third Fixed Rate Swap Agreement.

The Royal Bank of Scotland plc

The Royal Bank of Scotland Group plc (the "**RBS Group**") is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £56 billion at 31 December 2005. Headquartered in Edinburgh, the RBS Group operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc ("**RBS**") and National Westminster Bank Plc ("**NatWest**"). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. The RBS Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The RBS Group's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than the general insurance business (primarily Direct Line Group).

The RBS Group had total assets of £776.8 billion and shareholders' equity of £35.4 billion at 31 December 2005. The RBS Group is strongly capitalised with a total capital ratio of 11.7 per cent. and tier 1 capital ratio of 7.6 per cent as at 31 December 2005.

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

In its capacity as Fixed Rate Swap Counterparty, RBS will be acting though its branch at 135 Bishopsgate, London, EC2M 3UR.

The information contained herein with respect to RBS and the RBS Group relates to and has been obtained from it. Delivery of this Prospectus shall not create any implication that there has been no change in the

affairs of RBS or the RBS Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

THE MORTGAGE ADMINISTRATOR AND STANDBY CASH/BOND ADMINISTRATOR

Homeloan Management Limited

HML (a wholly-owned subsidiary of Skipton Building Society, which is itself regulated by the Financial Services Authority) has been appointed as the Mortgage Administrator pursuant to the Mortgage Administration Agreement and is responsible for the provision of certain mortgage settlement and related administration services.

HML has also been appointed as the Standby Cash/Bond Administrator pursuant to the Standby Cash/Bond Administration Agreement. HML considers itself to be one of the largest third party residential mortgage administrators in the United Kingdom. The Issuer has been informed by HML that HML is currently servicing approximately £35 billion of mortgage assets for third parties. The registered office and principal place of business of HML is at 1 Providence Place, Skipton, North Yorkshire BD23 2HL.

HML has a residential primary servicer rating of RPS2+ by Fitch Ratings Limited and special servicer rating of SQ2 by Moody's.

THE STANDBY SERVICER

Western Mortgage Services Limited ("WMS")

WMS was incorporated in 1996 as a private limited company (number 03191608) with the prime purpose to provide centralised third party mortgage processing and loan administration services to mortgage lenders. In January 1997, the Brittania Building Society Group acquired WMS as a wholly owned subsidiary.

WMS has confirmed to the Issuer that it currently administers of £7.5 billion of mortgages in 44 portfolios (22 of which are included in securitisations) on behalf of 9 lenders, across the conforming and non-conforming sectors.

The registered office and principal place of business of WMS is The Money Centre, Drake Circus, Plymouth Devon PL1 1QJ.

THE SPECIAL SERVICER

Kensington Mortgages Limited

KML has been appointed as a special servicer in respect of, *inter alia*, the Loans pursuant to the Special Servicer Agreement. The Special Servicer is responsible for providing certain instructions to the Mortgage Administrator and exercising certain discretions (including in respect of determining that the conditions precedent to the purchase of Prefunded Loans and the mechanics of such purchase have been complied with, the making of Further Advances and the sale to the Issuer of Substitute Loans, each as defined in "*The Mortgage Pool*" below), in each case in relation to the Mortgage Pool. See "*Administration, Servicing and Cash Management of the Mortgage Pool — Mortgage Administration Agreement and Special Servicer Agreement*".

THE CASH/BOND ADMINISTRATOR

Kensington Mortgages Limited

KML has agreed to act as the cash/bond administrator of the Issuer pursuant to the Cash/Bond Administration Agreement. The Cash/Bond Administrator is responsible for the administration and management of the cash receipts and disbursements, and making certain allocations and investments of cash, of the Issuer. The Cash/Bond Administrator is also responsible for making certain calculations and preparing and distributing certain reports to Noteholders as referred to herein. See "*Administration, Servicing and Cash Management of the Mortgage Pool — Cash/Bond Administration Agreement*".

THE MORTGAGE POOL

The Mortgage Pool

The pool of Loans sold to the Issuer pursuant to the Mortgage Sale Agreements from time to time (the "**Mortgage Pool**") will comprise:

(a) the Completion Mortgage Pool;

(b) any Prefunded Mortgage Pool;

(c) any Further Advances (as defined below) made on the security of the Mortgages comprised in (a) and (b) above and (d) below in accordance with the provisions of the DACS/RMS 22 Mortgage Sale Agreement, the Special Servicer Agreement and the Mortgage Administration Agreement; and

(d) any Substitute Loans (as defined below) acquired by the Issuer in accordance with the provisions of the DACS/RMS 22 Mortgage Sale Agreement, the Special Servicer Agreement and the Mortgage Administration Agreement,

other than, in any such case, Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been re-transferred to the relevant Park pursuant to the DACS/RMS 22 Mortgage Sale Agreement or in respect of which Enforcement Procedures have been completed.

As at the Initial Issue Date the Loans sold to the Issuer pursuant to the Mortgage Sale Agreements (the "**Completion Mortgage Pool**") will comprise the mortgage loans selected by the Originator from a provisional mortgage pool of approximately £791,000,000 consisting of Loans originated since September 1996 (of which approximately £24,700,00 have not yet Verified) and approximately £89,670,000 where offers ("**Offers**") have been made to potential borrowers, but where the funds have not yet been advanced (the "**Provisional Completion Mortgage Pool**"). There can be no assurance as to the number of offers that will be accepted by individuals to whom they have been made. However, KMC has indicated to the Issuer that based on the Offers and further offers made since 1 May 2006 they anticipate that the Mortgage Pool on or immediately following the expiry of the Prefunded Loan Period will equal or exceed approximately £800,000,000. On 30 April 2006, the Provisional Completion Mortgage Pool had the following characteristics:

Aggregate balance	£791,444,702
Number of loans	7,384
Average balance	£107,184
Weighted average loan to value ratio	76.97%
Weighted average term to maturity	21.74 years

Repayment terms under each type of mortgage loan differ according to the repayment type (see Table 10 under "*Characteristics of the Provisional Completion Mortgage Pool*" below). The following repayment types are included in the Provisional Completion Mortgage Pool:

(a) mortgage loans under the terms of which monthly instalments covering both interest and principal are payable until the mortgage loan is fully repaid by its maturity ("**Repayment Loans**"). Supporting life assurance cover is not always required to be charged by way of collateral security but may be in some cases;

(b) mortgage loans in relation to which the principal amount is not repayable before maturity and which may have no collateral, such as an endowment or life policy, as security other than the relevant Property ("**Interest Only Loans**"); and

(c) mortgage loans under the terms of which the loan is effectively separated (at the option of, and at a level decided by, the borrower) into two principal amounts, one in respect of which the borrower pays interest only and the other in respect of which the borrower pays interest and principal ("**Part and Part Loans**"). Monthly payments in respect of Part and Part Loans are comprised of the interest due on both portions of the Loan and the principal repayable on the portion in respect of which the borrower is required to pay both interest and principal.

Each Repayment Loan, Interest Only Loan and Part and Part Loan may be either a LIBOR Mortgage (as defined below) or a KVR Mortgage (as defined below):

(a) mortgage loans under the terms of which the borrower pays a rate of interest equal to LIBOR plus a margin ("**LIBOR Standard Mortgages**" or "**LIBOR Mortgages**");

(b) mortgage loans under the terms of which the borrower pays a fixed rate of interest for a limited period (see Table 13 as discussed above) and thereafter pays a rate of interest equal to LIBOR plus a margin ("**Fixed Rate Mortgages**"). The Prefunded Mortgage Pool may contain other fixed rate products specified in the underlying terms of new mortgage products, subject to appropriate hedging instruments being in place and being approved by the Rating Agencies;

(c) mortgage loans under the terms of which the borrower receives either a discount on KVR Standard Mortgages for a limited period or a discount that is stepped over a period of three years (see Table 13 as discussed above), or until a further specified date in relation to the Prefunded Mortgage Pool, and thereafter pays a rate of interest equal to LIBOR plus a margin ("**Discount Mortgages**"). The period during which the discount exists for each Loan is known as a "**Discount Period**"; and

(d) mortgage loans under the terms of which interest is payable at Kensington variable rate being a variable rate of interest which is set quarterly by Kensington or LIBOR plus a margin of between one and three per cent. ("**KVR**") plus a further margin ("**KVR Standard Mortgages**") and together with Fixed Rate Mortgages and Discount Mortgages are collectively known as "**KVR Mortgages**".

Mortgage Early Redemption Amounts

Under the terms of each Loan, the Borrower is also obliged to pay a compensation payment if the Loan is redeemed within three years of the date of the advance to the Borrower (the "**Relevant Period**") (a "**Mortgage Early Redemption Amount"**). The compensation payment which a Borrower pays is determined on the basis specified in the particular mortgage offer upon which the Borrower's Loan was based. A number of alternative bases (each an "**Early Redemption Charge Level**") have been incorporated in the mortgage offers related to the Initial Loans calculated by reference to the first, second or third year of redemption and by reference to Loan balance outstanding (see Table 12 (Distribution of Loans by Redemption Charge Type) in "*Characteristics of the Provisional Completion Mortgage Pool*" below).

Loans in the Prefunded Mortgage Pool may have different Early Redemption Charge Levels to those indicated above.

If a Borrower redeems a Loan within the Relevant Period and takes out a new loan with any subsidiary of KG, the Cash/Bond Administrator may in its absolute discretion, up to 30 days after receipt of the Mortgage Early Redemption Amount, refund that Mortgage Early Redemption Amount to the Borrower. A Mortgage Early Redemption Amount not so refunded will be distributed to the MERC Holders on the next Interest Payment Date being at least 30 days after the Mortgage Early Redemption Amount was paid by the Borrower.

If a Borrower defaults and enforcement proceedings are initiated, the proceeds arising from such enforcement proceedings, including the sale proceeds of the relevant Property (the "**Enforcement Proceeds**") may be

insufficient to repay the entirety of the amounts owed by the Borrower under the Mortgage (the "**Enforcement Liabilities**"). In the event the Enforcement Liabilities are greater than the Enforcement Proceeds, such proceeds will be applied first in repaying all Enforcement Liabilities (the "**Net Enforcement Liabilities**"). Only when the Net Enforcement Liabilities have been repaid will the Enforcement Proceeds be applied towards payment of Mortgage Early Redemption Amounts.

As all Initial Loans were originated by the Originators between November 2001 and April 2006, no Mortgage Early Redemption Amounts in respect of the Completion Mortgage Pool are expected to arise after the end of April 2009. No Mortgage Early Redemption Amounts in respect of Prefunded Loans are expected to arise after three years from the end of the relevant Prefunded Loan Purchase Date.

Substitution

In the event that an Originator or Park becomes obliged to repurchase a loan from the Issuer (see "*Sale of the Mortgage Pool — Warranties and Repurchase*"), the Issuer may, upon the request of the relevant Originator or Park and subject to the satisfaction of certain other conditions as more particularly set out under "*Administration, Servicing and Cash Management of the Mortgage Pool — Further Advances and Substitution*" below, purchase one or more mortgage loans as replacement for any such repurchased loan ("**Substitute Loans**") from the relevant Park or Parks (as appropriate).

Further Advances

The Issuer may fund additional advances to Borrowers ("**Further Advances**") on the security of the Mortgages (as defined below) through KMC, who will be the lender of record in relation to the Further Advances, subject as set out in Condition 5. Such Further Advances are subject to a maximum cumulative limit of 15 per cent. of the value of the Balances of the Mortgages in the Completion Mortgage Pool on the Initial Issue Date and any of any Prefunded Mortgage Pool as at the relevant Prefunded Loan Purchase Date (the Initial Issue Date and each Prefunded Loan Purchase Date being a "**Completion Date**") and subject to the satisfaction of certain other conditions as more particularly set out under "*Administration, Servicing and Cash Management of the Mortgage Pool — Further Advances and Substitution*" below.

Lending Criteria

Subject to limited exceptions, the following criteria (the "**Lending Criteria**") will have been applied in respect of the Loans comprising the Provisional Completion Mortgage Pool and will apply in respect of all Substitute Loans, Further Advances and Prefunded Loans. The Originator will notify the Rating Agencies of any material change to the Lending Criteria.

Security

(a) Each Loan must be secured by a first legal mortgage (an "**English Mortgage**") over a freehold (including commonhold) or long leasehold residential property (usually at least 35 years longer than the mortgage term, unless the prior written consent of the Originator or relevant Park has been obtained) in England or Wales (the "**English Property**") or secured by a first standard security (a "**Scottish Mortgage**") over a heritable or long leasehold residential property (usually at least 35 years longer than the mortgage term) located in Scotland (a "**Scottish Property**") (the Scottish Mortgages and the English Mortgages are collectively defined as the "**Mortgages**" and the Scottish Property and the English Property are each a "**Property**" and are collectively defined as the "**Properties**"), except for any prior ranking statutory charge or standard security (as referred to in Section 156 of the Housing Act 1985 or Section 72 of the Housing (Scotland) Act 1987) in relation to a Right to Buy Loan for which the Agent and the relevant Park have the benefit of Right to Buy Insurance.

(b) Only property of standard construction intended for use wholly or partly as a principal place of residence or let under an assured shorthold tenancy (or, in Scotland, a short assured tenancy) is acceptable. A Property which may be let as a holiday letting is acceptable.

(c) Properties under 10 years old will have the benefit of an NHBC, Zurich or Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.

(d) The following are examples of types of property which are usually deemed unacceptable as security unless the prior written consent of the Originator or the relevant Park has been obtained:

- Freehold flats and maisonettes (other than commonhold flats and maisonettes and flats and maisonettes in Scotland);
- Properties designated as defective under the Housing Defects Act 1984, the Housing Act 1985 or the Housing (Scotland) Act 1987;
- Ex-Local Authority flats and maisonettes except at the discretion of the director of new business of the Agent acting on the basis of a Prudent Mortgage Lender;
- Properties containing mundic block materials;
- Properties with agricultural restrictions; and
- Properties not wholly-owned by the Borrower, where equity is retained by a builder/ developer, housing association or other third party.

(e) Each Property offered as security will have been valued by a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by the Originators and the relevant Park.

(f) At the time of completion, the relevant Property must have been insured under a Block Buildings Policy (as defined under "*Administration, Servicing and Cash Management of the Mortgage Pool — Insurance Contracts*" below) either (i) in the joint names of the mortgagor and the relevant Originator or Park or (ii) with the interest of the relevant Originator or Park or KMC (as mortgagee or heritable creditor) endorsed or deemed noted thereon or (iii) in the name of the relevant Originator alone or, in the case of leasehold property, is covered by a landlord's building insurance policy, with, where possible, the interests of the relevant Park or Originator and the mortgagor endorsed or deemed noted thereon ("***primo loco***" in the case of a Scottish mortgagor), in each case with a reputable insurance company agreed to by the relevant Park or Originator, against all risks usually covered by a Prudent Mortgage Lender (defined below) when advancing money on the security of property of the same nature to an amount not less than the full reinstatement value determined at or around the time the related Loan was made and the relevant Park or Originator has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.

Loans may, in some cases, have the benefit of additional security by way of collateral security over one or more life insurance policies.

Loan Amount

The Loan at the time of completion must be at least £25,001. A Loan will not exceed £1,000,000 (including Further Advances) at any time during the life of the Loan.

Loan to Value

(a) The loan to value ratio (the "**LTV**") is calculated by dividing the gross principal amount committed at completion of the Loan by the valuation of the Property at origination of the Loan or, in some cases, the lower of such valuation and the sale price.

(b) The LTV of each Loan at the date of the initial advance and any Further Advance must be no more than 90 per cent. (exclusive of any arrangement fee which may be added to the Loan).

Term

Each Loan must have an initial term of between five and 30 years and (except for a Repayment Loan) have no scheduled principal repayment prior to its stated final maturity which (in the case of mortgages in the Mortgage Pool) must be no later than the date falling two years prior to the final maturity date of the M Notes.

Borrowers

(a) Borrowers must have been at least 18 years of age prior to completion of the Loan.

(b) A maximum number of four Borrowers are allowed to be parties to a Loan.

(c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:

  (i) Search supplied by credit reference agency;

  (ii) Confirmation of voters roll entries;

  (iii) References from current employers;

  (iv) Accountant's certificate;

  (v) References from current lenders; and

  (vi) References from current landlords.

(d) Where a County Court Judgment (or its Scottish equivalent) ("**CCJ**") relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lenders' or landlords' references or a Borrower has been subject to a Bankruptcy Order (or its Scottish equivalent) ("**BO**") or Individual Voluntary Arrangement ("**IVA**"), explanations should have been provided. Generally, a CCJ will be acceptable without an explanation if it (i) was registered not less than two years before the Borrower's application for a loan, (ii) was satisfied not less than 12 months before the Borrower's application for a loan and (iii) related to a sum of not more than £100.

(e) Where satisfaction of CCJs is a requirement of the Loan, a certificate of satisfaction must have been provided.

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

Income and Affordability

Owner Occupied Loans

Depending on the Loan type, owner occupied Loans are tested either by reference to income multiples or affordability.

Income Multiples

(a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of salary plus additional regular remuneration for employed Borrowers, net profit plus any additional income confirmed by the accountant for self-employed Borrowers (holding at least 25 per cent. of the issued share capital of the company, partner in a partnership, or a sole trader), pensions, investments and rental income, and other monies approved by an authorised officer of KML.

(b) The principal amount of any Loans advanced will not exceed the higher of 3.5 times the assessed income of the primary borrower plus one times the assessed income of any secondary borrower(s), or three times the combined assessed incomes of the primary and secondary borrowers.

Affordability

Certain of the owner occupied Loans comprising the Provisional Completion Mortgage Pool may have been approved using a new affordability test. The test provides for up to 40 per cent. of an applicant's gross monthly income to be required to meet existing finance commitments. Serviceability is then calculated on the 60 per cent. of gross income remaining, taking into account all usual living expenses.

All affordability test applicants will undergo a full credit search. Normal credit criteria will apply (length of service, minimum income, etc.). Twenty per cent. of an applicant's gross income may be self-certified. Any non-verified income above 20 per cent. may not be used in the affordability calculation.

"Verified income" includes income that may be evidenced by payslips, regular overtime or bonuses and, for self employed applicants, accountant's certificates.

Existing finance commitments include child maintenance/CSA payments/attachments to earning (e.g. government or court enforced payments), hire purchase commitments, student loans, personal loans, mortgages on other properties or second mortgages not to be refinanced, debt management and IVAs, agreed monthly repayments on historic debts - e.g. repossession shortfalls, administration orders and minimum monthly repayment on outstanding all credit/store card balances.

Finance commitments do not include council tax, rent paid on other properties, overdrafts, loans or credit/debt agreements with less than six months before settlement, phone or utility bills or mortgages on buy-to-let properties.

Buy-to-Let Loans

(a) Rental income is determined by reference to the application form and supporting documentation, including where appropriate the opinion of a valuer or a reputable independent letting agent. It is the monthly amount a Property is let for or may reasonably be let for.

(b) The assessed rental income must be equivalent to 120 per cent. (or greater) of the assessed monthly interest payment on the Loan at the time the Loan was underwritten.

Solicitors/Title Insurance Providers

The firm of solicitors acting on behalf of the relevant Originator on the making of each Loan must have at least two practising partners or alternatively, in the case of Agency Originated Loans only, the Loan must be originated in accordance with the relevant procedure for completion of Loans the subject of title insurance.

Further Advances

Further Advances are governed by the same criteria as initial advances with the following additions:

(a) at least three months must have elapsed since completion of the initial advance;

(b) repayments on the Loan must be up-to-date; and

(c) the Loan must have experienced arrears no greater than one month at any time in the previous three months.

Changes to Lending Criteria

Subject to obtaining any relevant consents, the relevant Originator may vary the Lending Criteria from time to time in the manner of a Prudent Mortgage Lender (as defined below) lending to Borrowers in England, Wales and Scotland who include the recently self-employed, independent contractors, temporary employees and people who may have experienced previous credit problems being, in each case, people who generally do not satisfy the lending criteria of traditional sources of residential mortgage capital (a "**Prudent Mortgage Lender**").

Further Advances and Substitute Loans may only be included in the Mortgage Pool if they were originated in accordance with the Lending Criteria in effect as at the Initial Issue Date (varied as specified herein) and the

conditions contained in "*Administration, Servicing and Cash Management of the Mortgage Pool — Further Advances and Substitution*" have been satisfied.

Title Insurance

In September 2002, KMC began offering a title insurance product, which enables a Borrower to remortgage a Property under an expedited procedure that can allow completion within five days from the offer by KMC to extend the remortgage loan. The process differs from traditional conveyancing practice in that there is no in-depth investigation of title. Instead, First Title Insurance plc ("**First Title**"), a company (registered in England and Wales under company no. 01112603) which provides title insurance whose registered address is Walkden House, 10 Melton Street, London NW1 2EB, provides a home loan protection policy that insures each Loan on a Property for the benefit of, *inter alios*, KMC and other KG subsidiaries. Among other things, this policy provides protection (a) that there is good and marketable title; (b) that the Property was built, and (if relevant) modified or extended since, in compliance with all necessary planning and building regulations approvals; (c) that there is nothing in the Local Authority records to the detriment of the owner of the Property; and (d) against costs or legal expenses necessary to defend the title. After the agent of First Title checks ownership of the property, First Title provides a certificate of insurance to KMC. The agent then arranges execution of the relevant documents, requests funds from KMC and, upon receipt, disburses such funds under KMC's instructions and completes the transaction.

The Issuer will have the benefit of the First Title policy in respect of the Loans sold by DACS 22 to the Issuer pursuant to the Mortgage Sale Agreements.

Valuation

Investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in "*The Mortgage Pool*"), no revaluation of any Property has been undertaken by RMS 22, the Issuer, the Administrator, the Trustee or any other person in respect of the transaction described in this document and the valuations quoted are at the date of the original mortgage loan origination.

Right to Buy Loans

The Mortgage Pool may include Loans which are intended for Borrowers who wish to use the Loans as a means to purchase residential property in the public sector by exercising their rights to buy under applicable legislation ("**Right to Buy Loans**"). In relation to each Right to Buy Loan, (i) the Originator is an approved lending institution under the relevant legislation or has adequate title insurance to protect against such risk, (ii) the Right to Buy Loan was made to the person exercising the right to buy, and (iii) the Right to Buy Loan was made for the purposes of enabling the Borrower to purchase the relevant Property.

Flexible Loans

The Mortgage Pool will include loans where the relevant Borrower may be entitled to request a repayment from the lender of amounts representing overpayment on its Loan (each a "**Borrow Back**") or request that it uses an amount of the overpayment as a credit towards all or part of that Borrower's monthly payments (each a "**Payment Holiday**"). Amounts that can be requested by Borrowers for Borrow Back or Payment Holidays are limited in amount to the lower of previous unutilised overpayments, being the cumulative amounts paid by Borrowers in excess of their scheduled periodic payments which are not subject to an early redemption charge. The Borrower may only request a maximum of two Payment Holidays in any year, starting on the day the Loan was originally advanced. The Balance of all Loans including Borrow Back or Payment Holiday as conditions (known as "**Flexible Loans**") to be included within the Mortgage Pool, assuming the Mortgage Pool includes all Flexible Loans made and those not yet made but where Offers have been made to potential borrowers and are included within the Provisional Completion Mortgage Pool as at the expiry of the Prefunded Loan Period, will not exceed 1 per cent. of the aggregate Balances of all Loans in the Mortgage Pool.

CHARACTERISTICS OF THE PROVISIONAL COMPLETION MORTGAGE POOL

The Provisional Completion Mortgage Pool has the aggregate characteristics indicated in Tables 1-13 below.

The information contained in these tables has been extracted from information provided by the Mortgage Administrator, is true and accurate as at the date of this Prospectus and has not been the subject of an audit, (Columns of percentages may not add up to 100 per cent. due to rounding).

Additional data concerning the Provisional Completion Mortgage Pool is contained in the Appendix.

Table 1
Distribution of Loans by Loan-to-Value Ratios

Loan-to-Value Ratio *(%)*	**No. of Loans**	**% of Total**	**Current Principal Balance *(£)***	**% of Total**
> = 0 < 26	147	1.99	6,780,330	0.86
> = 26 < 51	797	10.79	51,385,981	6.49
> = 51 < 56	306	4.14	24,198,334	3.06
> = 56 < 61	383	5.19	32,317,741	4.08
> = 61 < 66	571	7.73	51,523,839	6.51
> = 66 < 71	493	6.68	48,841,755	6.17
> = 71 < 76	683	9.25	75,937,500	9.59
> = 76 < 81	910	12.32	101,200,493	12.79
> = 81 < 86	1,252	16.96	157,154,733	19.86
> = 86 < 91	1,805	24.44	239,702,188	30.29
> = 91	37	0.50	2,401,809	0.30
Total	7,384	100.00	791,444,702	100.00

Weighted Average Loan-to-Value	76.97%
Average Loan Principal Balance	£107,184
Weighted Average Spread over LIBOR[(1)]	299.79 bps
Weighted Average Term to Maturity	21.74 years
Largest Principal Balance	£834,449

Note:

(1) This figure is calculated on the assumption that all Fixed Rate Mortgages and Discount Mortgages operate as KVR Standard Mortgages.

Table 2
Distribution of Loans by Current Principal Balance

Current Principal balance *(£)*	No. of Loans	% of Total	Current Principal Balance *(£)*	% of Total
< = 50,000	1,153	15.61	42,309,291	5.35
> 50,000 < = 100,000	3,072	41.60	224,969,876	28.43
> 100,000 < = 150,000	1,694	22.94	206,917,436	26.14
> 150,000 < = 200,000	775	10.50	132,484,409	16.74
> 200,000 < = 250,000	433	5.86	95,088,210	12.01
> 250,000 < = 300,000	126	1.71	34,437,123	4.35
> 300,000 < = 400,000	72	0.98	24,366,417	3.08
> 400,000 < = 500,000	34	0.46	15,056,904	1.90
> 500,000 < = 750,000	18	0.24	10,213,173	1.29
> 750,000	7	0.09	5,601,863	0.71
Total	7,384	100.00	791,444,702	100.00

Table 3
Distribution of Loans with CCJs by Loan-to-Value Ratios[(1)]

			0 CCJ		1 CCJ		> 1 CCJ	
LTVs (%)	No. of Loans	% of Total	No.	*%*	No.	*%*	No.	*%*
> = 0 < 26	147	1.99	126	1.71	15	0.20	6	0.08
> = 26 < 51	797	10.79	667	9.03	89	1.21	41	0.56
> = 51 < 56	306	4.14	245	3.32	45	0.61	16	0.22
> = 56 < 61	383	5.19	327	4.43	41	0.56	15	0.20
> = 61 < 66	571	7.73	457	6.19	70	0.95	44	0.60
> = 66 < 71	493	6.68	401	5.43	68	0.92	24	0.33
> = 71 < 76	683	9.25	550	7.45	83	1.12	50	0.68
> = 76 < 81	910	12.32	748	10.13	109	1.48	53	0.72
> = 81 < 86	1,252	16.96	1,096	14.84	114	1.54	42	0.57
> = 86 < 91	1,805	24.44	1,598	21.64	144	1.95	63	0.85
> = 91	37	0.50	34	0.46	1	0.01	2	0.03
Total	7,384	100.00	6,249	84.63	779	10.55	356	4.82

Note:

(1) Generally, a County Court Judgment will be acceptable if it (i) was registered not less than 2 years before the Borrower's application for a loan, (ii) was satisfied not less than 12 months before the Borrower's application for a loan and (iii) related to a sum of not more than £100.

Table 4
Distribution of Loans by Margin over LIBOR

Margin (%)	No. of Loans	% of Total	Current Principal Balance *(£)*	% of Total
> = 1 < = 2	769	10.41	73,395,415	9.27
> 2 < = 2.5	1,357	18.38	144,793,924	18.29
> 2.5 < = 3	1,794	24.30	211,605,246	26.74
> 3 < = 3.5	1,747	23.66	186,198,877	23.53
> 3.5 < = 4	692	9.37	70,338,336	8.89
> 4 < = 4.5	540	7.31	50,538,323	6.39
> 4.5 < = 5	291	3.94	34,118,666	4.31
> 5 < = 6	194	2.63	20,455,916	2.58
Total	7,384	100.00	791,444,702	100.00

Note:

(1) This figure is calculated on the assumption that all Fixed Rate Mortgages and Discount Mortgages operate as KVR Standard Mortgages.

Table 5
Distribution of Loans by Loan Purpose

Loan Purpose	No. of Loans	% of Total	Current Principal Balance *(£)*	% of Total
Purchase	3,420	46.32	396,596,986	50.11
Remortgage	3,964	53.68	394,847,715	49.89
Total	7,384	100.00	791,444,702	100.00

Table 6
Distribution of Properties by Tenure

	Total		Freehold		Leasehold		Feuhold	
LTVs(%)	**No. of Loans**	*% of Total*	**No. of Loans**	*% of Total*	**No. of Loans**	*% of Total*	**No. of Loans**	*% of Total*
> = 0 < 26	147	1.99	129	1.75	14	0.19	4	0.05
> = 26 < 51	797	10.79	679	9.20	70	0.95	48	0.65
> = 51 < 56	306	4.14	260	3.52	29	0.39	17	0.23
> = 56 < 61	383	5.19	317	4.29	36	0.49	30	0.41
> = 61 < 66	571	7.73	495	6.70	51	0.69	25	0.34
> = 66 < 71	493	6.68	422	5.72	37	0.50	34	0.46
> = 71 < 76	683	9.25	581	7.87	67	0.91	35	0.47
> = 76 < 81	910	12.32	722	9.78	113	1.53	75	1.02
> = 81 < 86	1,252	16.96	1,002	13.57	163	2.21	87	1.18
> = 86 < 91	1,805	24.44	1,324	17.93	309	4.18	172	2.33
> = 91	37	0.50	26	0.35	7	0.09	4	0.05
Total	7,384	100.00	5,957	80.67	896	12.13	531	7.19

Table 7
Distribution of Loans by Property Type

Property Type	**No. of Loans**	**% of Total**	**Current Principal Balance (£)**	**% of Total**
Bungalow	300	4.06	33,091,610	4.18
Detached	946	12.81	160,354,412	20.26
Flat	600	8.13	73,454,984	9.28
Semi-Detached Property	2,331	31.57	232,204,839	29.34
Terraced	3,207	43.43	292,338,858	36.94
Total	7,384	100.00	791,444,702	100.00

Table 8
Distribution of Loans by Region

Region	No. of Loans	% of Total	Current Principal Balance (£)	% of Total
East Anglia	254	3.44	27,421,231	3.46
East Midlands	467	6.32	42,658,533	5.39
Greater London (Inner)	400	5.42	69,529,639	8.79
Greater London (Outer)	674	9.13	106,919,449	13.51
North	440	5.96	33,594,510	4.24
North West	1,174	15.90	101,162,546	12.78
Scotland	549	7.43	47,461,805	6.00
South East	1,044	14.14	139,438,879	17.62
South West	451	6.11	54,021,898	6.83
Wales	377	5.11	31,974,786	4.04
West Midlands	715	9.68	68,430,273	8.65
Yorkshire & Humberside	839	11.36	68,831,152	8.70
Total	7,384	100.00	791,444,702	100.00

Table 9
Distribution of Loans by Remaining Time to Maturity

Years to Maturity	No. of Loans	% of Total	Current Principal Balance (£)	% of Total
< = 5	68	0.92	3,529,799	0.45
> 5 < = 10	439	5.95	38,647,449	4.88
> 10 < = 15	749	10.14	68,015,282	8.59
> 15 < = 20	1,391	18.84	140,924,638	17.81
> 20 < = 25	4,066	55.07	471,229,433	59.54
> 25 < = 30	671	9.09	£69,098,100	8.73
Total	7,384	100.00	791,444,702	100.00

Table 10
Distribution of Loans by Repayment Method

Repayment Method	No. of Loans	% of Total	Current Principal Balance (£)	% of Total
Endowment	40	0.54	1,736,666	0.22
Interest Only	3,502	47.43	469,526,623	59.33
Part & Part	110	1.49	11,713,100	1.48
Pension	3	0.04	207,949	0.03
Repayment	3,729	50.50	308,260,364	38.95
Total	7,384	100.00	791,444,702	100.00

Table 11
Distribution of Loans Currently in Arrears

Months in Arrears	No. of Loans	% of Total	Current Principal Balance (£)	% of Total
Current	6,685	90.53	705,028,429	89.08
> = 1< = 2	275	3.72	31,769,762	4.01
> 2 < = 3	141	1.91	18,091,446	2.29
> 3 < = 4	93	1.26	13,115,466	1.66
> 4 < = 5	60	0.81	7,314,262	0.92
> 5 < = 6	42	0.57	6,065,119	0.77
> 6 < = 7	24	0.33	2,989,172	0.38
> 7 < = 8	23	0.31	2,405,627	0.30
> 8 < = 9	12	0.16	1,607,747	0.20
> 9	29	0.39	3,057,673	0.39
Total	7,384	100.00	791,444,702	100.00

Sum of Current Principal Balance	£86,416,273
Percentage of Total Portfolio in Arrears	10.92%
Average Loan Balance	£123,628
Weighted Average Spread over LIBOR	361.38bps
Weighted Average LTV	80.14%
Largest Loan Balance	£610,499

Table 12
Distribution of Loans by Redemption Charge Type

Redemption charging	No. of Loans	% of Total	Current Principal Balance (£)	% of Total	Weighted Average Seasoning (Mths)
n/a	1,617	21.90	143,371,830	18.12	51.23
4%/4%/3% of Redeemed Balance	8	0.11	966,518	0.12	3.23
5%/4%/3% of Redeemed Balance	3	0.04	412,172	0.05	5.14
5%/5%/5% of Redeemed Balance	76	1.03	6,789,982	0.86	1.83
6%/6%/0% of Redeemed Balance	1,309	17.73	169,048,303	21.36	1.21
6%/6%/5% of Redeemed Balance	292	3.95	36,436,951	4.60	1.61
6%/6%/6% of Redeemed Balance	3,543	47.98	368,496,455	46.56	2.48
7%/6%/0% of Redeemed Balance	203	2.75	29,038,579	3.67	3.54
7%/6%/5% of Redeemed Balance	333	4.51	36,883,912	4.66	3.65
Total	7,384	100.00	791,444,702	100.00	11.09

Table 13
Distribution of Loans by Type

Type	No. of Loans	% of Total	Current Principal Balance (£)	% of Total
KVR Variable	11	0.15	1,378,690	0.17
KVR Capped for 36 Months	4	0.05	424,129	0.05
KVR Capped to 28 February 2009	72	0.98	6,365,852	0.80
KVR Capped to 30 November 2008	132	1.79	12,209,413	1.54
KVR Discounted for 12 Months	534	7.23	66,388,603	8.39
KVR Discounted for 24 Months	27	0.37	3,651,855	0.46
KVR Discounted to 28 February 2006	1	0.01	189,499	0.02
KVR Fixed for 24 Months	406	5.50	56,948,164	7.20
KVR Fixed for 36 Months	466	6.31	51,908,658	6.56
KVR Fixed to 31 August 2006	14	0.19	1,634,794	0.21
KVR Fixed to 31 August 2007	33	0.45	4,625,557	0.58
KVR Fixed to 31 August 2008	114	1.54	11,384,165	1.44
KVR Fixed to 28 February 2007	9	0.12	1,293,962	0.16
KVR Fixed to 29 February 2008	902	12.22	110,948,215	14.02
KVR Fixed to 28 February 2009	1,241	16.81	127,901,655	16.16
KVR Fixed to 31 May 2007	1	0.01	89,749	0.01
KVR Fixed to 31 May 2008	6	0.08	1,270,052	0.16
KVR Fixed to 30 November 2006	79	1.07	8,978,918	1.13
KVR Fixed to 30 November 2007	409	5.54	50,593,473	6.39
KVR Fixed to 30 November 2008	1,306	17.69	129,887,469	16.41
LIBOR Variable	1,617	21.90	143,371,830	18.12
Total	7,384	100.00	791,444,702	100.00

Mortgages on Let Properties

355 of the Initial Loans in the Provisional Completion Mortgage Pool (representing an aggregate principal Loan balance of approximately £35,696,237) are secured by Mortgages on non-owner occupied Properties. These Loans represent approximately 4.51 per cent. of the value of the Provisional Completion Mortgage Pool.

Non-Verified Loans

188 of the Initial Loans in the Provisional Completion Mortgage Pool (representing an aggregate principal Loan balance of approximately £24,700,000) are Non-Verified Loans (the "**Initial Non-Verified Loans**"). The Initial Non-Verified Loans represent approximately 4.12 per cent. of the value of the Completion Mortgage Pool. 143 of the Initial Non-Verified Loans (representing an aggregate principal balance of approximately £19,300,000) are Loans in respect of which no payments have yet been made or verified as having been made. There is no historical payment information with respect to the Initial Loans, so the level of expected delinquencies and defaults can only be predicted by reference to the previous mortgage sale arrangements entered into by KG group companies referred to above (see "*Risk Factors — Risks Associated with Non-Verified Loans*"). Such Non-Verified Loans in respect of which at least 50 per cent. of the first scheduled payment is not received in full within two months of the due date for the first scheduled payment in respect of the Completion Mortgage Pool or within two months of the first due payment by the relevant Borrower (each such date a "**Payment Verification Date**") (the "**Return Loans**") will be sold back to the relevant Park on whose behalf KMC has originated the Loan pursuant to the terms of the DACS/RMS 22 Mortgage Sale Agreement if the level of Loans that fail to Verify exceeds 4 per cent. of the Completion Mortgage Pool in considering the initial rating of the Notes. The relevant Park will be required to repurchase

Return Loans on a Payment Verification Date if necessary to maintain the initial rating of the Notes. A sale of a Return Loan to the relevant Park will have the same effect as a prepayment of a Loan (save that no Mortgage Early Redemption Amounts will arise in respect of such sale) as is more fully described in "*Risk Factors — Yield and Prepayment Considerations*" above.

The Issuer will, on the Initial Issue date, have a right to serve a drawdown notice under committed loan facilities entered into by (i) BPMF with WestLB, (ii) FPMF with Morgan Stanley Dean Witter Principal Funding Inc., (iii) NPMF with The Royal Bank of Scotland plc, Giro Lion Receivables Limited and Tulip Asset Purchase Company B.V. and (iv) SJPMF with Barclays Bank PLC (together the "**Committed Loan Facilities**") to an aggregate amount equal to (i) 80 per cent. of the aggregate principal balances of the Initial Non-Verified Loans and (ii) 60 per cent. of the aggregate principal balances of the Non-Verified Loans on each Prefunded Loan Purchase Date originated for and on behalf of BPMF, FPMF, NPMF or SJPMF by KMC until such time as such Non-Verified Loans have either been verified, prepaid or repurchased (whichever is the earlier). The Issuer may exercise rights under agreements entered into with the relevant lender referred to above (the "**RMS 22 Buyback Deeds**") to deliver a notice of drawdown under the relevant Committed Loan Facilities and to receive the proceeds of that drawdown as security for BPMF's, FPMF's, NPMF's and SJPMF's respective obligations to buy back Return Loans. Under the RMS 22 Buyback Deeds, BPMF, FPMF, NPMF and SJPMF will grant to the Issuer an irrevocable power of attorney entitling the Issuer to deliver, in the name of and on behalf of BPMF, FPMF, NPMF or SJPMF a request for drawdown under the relevant Committed Facility, which request will require an advance under the proceeds of the relevant Committed Facility directly to an account of the Issuer and entitle the Issuer to apply the proceeds of that advance in satisfaction of the obligations of BPMF, FPMF, NPMF or SJPMF as appropriate to purchase Return Loans on the relevant Payment Verification Date.

The first monthly scheduled payment on the most recently originated Initial Non-Verified Loans was due prior to the last Business Day in May 2006. The consideration to be paid by BPMF, FPMF, NPMF or SJPMF in respect of any retransfer of Return Loans to BPMF, FPMF, NPMF or SJPMF (as the case may be) shall be an amount equal to the Balances of such Return Loans at the Initial Issue Date or the relevant Prefunded Loan Purchase Date, as the case may be (the "**Return Loan Purchase Price**"). Amounts representing the Return Loan Purchase Price and funded by a drawing on the Committed Loan Facilities by BPMF, FPMF, NPMF or SJPMF and upon receipt by the Issuer will be credited to the Principal Ledger (in the case of the relevant Balances) within two months of the first due payment of the relevant Mortgage.

Pursuant to the terms of the Mortgage Sale Agreements any Return Loans retransferred to BPMF, FPMF, NPMF or SJPMF (as the case may be) may be resold to the Issuer on a subsequent Prefunded Loan Purchase Dates immediately following a Payment Verification Date provided this does not result in a qualification, suspension, withdrawal or downgrade of, or otherwise adversely affect, the then current rating of the Notes. The proceeds of the sale of Return Loans not subsequently used by the Issuer to acquire such Loans will comprise part of the Actual Redemption Funds.

DACS 22 to retain accrued but unpaid interest

Under the terms of the DACS/RMS 22 Mortgage Sale Agreement the Issuer shall not be entitled to receive any accrued interest on the Initial Loans and any Prefunded Loans accruing prior to the Initial Issue Date (in respect of the Initial Loans) or prior to the relevant Prefunded Loan Purchase Date (in respect of the Prefunded Loans) (the "**Accrued Interest**") and any payments received by the Issuer in respect of Accrued Interest will be accounted for to DACS 22 for so long as the relevant Borrower is not in arrears with respect to any amounts due from the Initial Issue Date or Prefunded Loan Purchase Date (as applicable). As between DACS 22 and the Issuer, DACS 22 is not entitled to receive Accrued Interest from any Borrower if amounts due to the Issuer from that Borrower are in arrears with respect to any amounts due from the Initial Issue Date or Prefunded Loan Purchase Date (as applicable). The Issuer will acquire the right to receive all arrears in respect of any Loans it has acquired.

TITLE TO THE MORTGAGE POOL

The Loans and the Collateral Security (as defined in Condition 2) will be sold by DACS 22 to the Issuer. The sale of the Loans and their related English Mortgages will take effect in equity only and (save as mentioned below), in the case of their related Scottish Mortgages, by means of the Scottish Trust and the lender of record and legal title holder of the Loans and Collateral Security will be either KMC (in respect of the Agency Originated Loans) or such other of the Originators as was the lender of record when the Loan was originally advanced (in respect of the Park Originated Loans). The Issuer will grant a first fixed equitable charge (or, in the case of Scottish Mortgages, a first fixed charge over its beneficial interest therein) in favour of the Trustee over its interests in the Loans and the Collateral Security.

The Mortgage Administrator is required under the terms of the Mortgage Administration Agreement to ensure the safe custody of title deeds. The Mortgage Administrator will have custody of title deeds in respect of the Loans and the Collateral Security as agent of the Issuer and, following any enforcement action by the Trustee against the Issuer, the Trustee.

Save as mentioned below, neither the Issuer nor the Trustee will effect any registration at the Land Registry or any registration or recording in the Registers of Scotland to protect the sale of the Loans and the Collateral Security by DACS 22 to the Issuer or the charge of them by the Issuer in favour of the Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to the Properties or the Loans and their related Mortgages.

Save as mentioned below, notice of the sale to the Issuer and the equitable charge in favour of the Trustee will not be given to the Borrowers.

Under the DACS/RMS 22 Mortgage Sale Agreement and the Deed of Charge, the Issuer (with the consent of the Trustee) or the Trustee will each be entitled to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Issuer (as purchaser) and the Trustee (as chargee) in the Loans and the Collateral Security, *inter alia*, where (i) it is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority, (ii) a notice by the Trustee to the Issuer under Condition 9 of the Notes ("**Enforcement Notice**") has been given, (iii) the Trustee considers that the property, assets, rights and undertakings for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge (the "**Charged Property**") or any part thereof is in jeopardy (including the possible insolvency of DACS 22, any of the Parks or the Originators) or (iv) any action is taken for the winding-up, dissolution, administration or reorganisation of DACS 22, any of the Parks or the Originators. These rights are supported by irrevocable powers of attorney given by the Issuer, DACS 22, each of the Parks and the Originators.

The effect of (i) not giving notice to the Borrowers of the sale of the relevant Loans and their Collateral Security to the Issuer and the charging of the Issuer's interest in the Loans and their Collateral Security to the Trustee and (ii) the charge of the Issuer's rights thereto in favour of the Trustee pursuant to the Deed of Charge taking effect in equity (or in respect of the Issuer's beneficial interest) only, is that the rights of the Issuer and the Trustee may be, or may become, subject to equities as well as to the interests of third parties who perfect a legal interest or title prior to the Issuer or the Trustee acquiring and perfecting a legal interest or title (such as, in the case of English Mortgages over unregistered land, a third party acquiring a legal interest in the relevant Mortgage without notice of the Issuer's or the Trustee's interests or, in the case of Mortgages over registered land (whether at the Land Registry or the Registers of Scotland), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Issuer's or the Trustee's interests).

The risk of such equities and other interests leading to third party claims obtaining priority to the interests of the Issuer or the Trustee in the Loans and the Collateral Security is likely to be limited to circumstances arising from a breach by HML, the relevant Originator or the Parks or the Issuer of its or their contractual or

other obligations or fraud or mistake on the part of HML, the Originators, the Parks or the Issuer or their respective officers, employees or agents (if any).

SALE OF THE MORTGAGE POOL

On the Initial Issue Date, the Originators and the Parks will agree to sell their respective interests in the Initial Loans to DACS 22 who, in turn, will sell its interest in such Loans to the Issuer on the Initial Issue Date for consideration comprised of: (i) the aggregate of an amount equal to the aggregate Balances (as defined below) of the Initial Loans comprised in the Completion Mortgage Pool as at the Initial Issue Date plus a pre-agreed premium; (ii) an entitlement to the Residual Revenue; and (iii) the MERCs. Following the sale of the Initial Loans to the Issuer on the Initial Issue Date, Prefunded Loans and Substitute Loans may from time to time be included in the Mortgage Pool. Prefunded Loans may be originated by the Originators or any other Subsidiary. In addition to those types of mortgage Loan described under the heading "*The Mortgage Pool*", Substitute Loans may include any other type of loans if the Rating Agencies have confirmed that the then current ratings of the Notes would not be adversely affected thereby.

"**Balance**" means, in relation to any Loan and on any date, the original principal amount advanced to the Borrower plus any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Mortgage in accordance with the conditions of the Loan on or prior to such date (including, for the avoidance of doubt, capitalised interest) plus, in relation to a Loan and the Mortgage relating thereto, any advances of further monies to the Borrower thereof on the security of the relevant Mortgage after the date of completion of such Loan (including advances of any retention) less any repayments of such amounts.

Warranties and Repurchase

The DACS/RMS 22 Mortgage Sale Agreement contains representations and warranties given by the Parks, the Originators and DACS 22, as the case may be, in relation to the Mortgage Pool. No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer or the Trustee, each of whom is relying upon the representations and warranties in the DACS/RMS 22 Mortgage Sale Agreement and the results of audit of the Mortgage Pool.

If there is an unremedied or unremediable breach of any of these representations and warranties which could have a material adverse effect on any Loan and its Collateral Security then the relevant Park is required to repurchase the relevant Loan and its Collateral Security for a consideration in cash equal to the Balance of the relevant Loan plus accrued interest and all other amounts due under such mortgage less interest paid in advance to the Issuer (which the Issuer shall be entitled to retain). Performance of the obligation to repurchase will be in satisfaction of all liabilities of DACS 22 and the relevant Parks in respect thereof.

The representations and warranties referred to will include, *inter alia*, statements to the following effect:

(a) each Loan and its related Mortgage constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms and each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to DACS 22 in priority to any other charges registered against the relevant Property;

(b) subject to completion of any registration or recording which may be pending at the Land Registry or the Registers of Scotland, each Mortgage constitutes a first ranking legal mortgage or first ranking standard security over the relevant Property;

(c) at the time of origination thereof, the property intended to be the subject of security or charged to secure the repayment of the Loan was of the kind permitted under the Lending Criteria;

(d) no lien or right of set-off or counterclaim has been created or arisen between DACS 22 or the relevant Originator and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant Loan;

(e) except in any case of an Agency Originated Loan where the related Property is covered by a valid policy of insurance in respect of title (howsoever described) to the Property (a "**Title Insurance Policy**") issued by a provider of such insurance policies with respect to England, Scotland or Wales as the case may be (a "**Title Insurance Provider**"), prior to making a Loan to a Borrower, the relevant Originator instructed, or required to be instructed on its behalf, solicitors to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken by a Prudent Mortgage Lender when advancing money in an amount equal to such advance to an individual to be secured on a property of the kind permitted under the Lending Criteria and a report on title was received by or on behalf of the relevant Originator (in the case of Park Originated Loans) or KMC (in respect of the Agency Originated Loans) from such solicitors which, either initially or after further investigation, revealed no material matter which would cause a Prudent Mortgage Lender to decline the Loan having regard to the Lending Criteria;

(f) prior to making a Loan, the relevant Property was valued by an independent valuer from a panel of valuers from time to time appointed by the relevant Originator;

(g) prior to making a Loan, the nature and amount of such Loan and the circumstances of the relevant Borrower satisfied the Lending Criteria in all material respects;

(h) each Loan and its related Mortgage has been made on the terms of the Originator's standard mortgage documentation (so far as applicable and whether, in the case of KMC, trading as "**Kensington Mortgage Company**" or as "**The Mortgage Lender**"), which has not been varied in any material respect since the date of completion of such Loan;

(i) no agreement for any Loan is or includes a regulated consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974) or constitutes any other agreement regulated or partly regulated by the Consumer Credit Act 1974 (other than Sections 137 to 140 of such Act) or any modification or re-enactment thereof or, to the extent that it is so regulated or partly regulated, all the requirements of the Consumer Credit Act 1974 have been met in full;

(j) except as shown in Table 11 above, no payment of interest equivalent to an amount in excess of one month's instalment of interest at the applicable rate in respect of a Loan in the Provisional Completion Mortgage Pool is as at the Initial Issue Date more than 31 days in arrears;

(k) each Property was at the date of completion of the relevant Loan either (i) insured under a buildings policy either (A) in the joint names of the Borrower and the relevant Originator or (B) with the interest of the relevant Originator noted thereon or (ii) insured under a Block Buildings Policy (as defined under "*Administration, Servicing and Cash Management of the Mortgage Pool — Insurance Contracts*" below) in all cases against risks usually covered by a comprehensive buildings insurance policy;

(l) no Loan has a final maturity beyond the date falling two years prior to the final maturity of the M Notes;

(m) all Agency Originated Loans were originated by KMC on behalf of BPMF, FPMF, NPMF or SJPMF;

(n) all Loans are either KVR Mortgages or LIBOR Mortgages;

(o) each Agency Originated Loan and the related Mortgage within the Mortgage Pool was beneficially owned by either BPMF, FPMF, NPMF, RiPMF or SJPMF prior to the sale to DACS 22 and immediately prior to the sale to the Issuer was beneficially owned by DACS 22 and at all times was legally owned by KMC; and

(p) each Title Insurance Policy referred to in paragraph (e) above is in full force and effect and all premiums thereon due on or before the date of the sale of the relevant Agency Originated Loan have

been paid in full and KMC is not aware of any circumstances giving the Title Insurance Provider the right to avoid or terminate such policy.

Prefunded Loans shall be purchased on the relevant Prefunded Loan Purchase Date at an amount equal to the aggregate principal balances of the Prefunded Loans (subject to adjustments to take into account any collateral required or shortfall in income anticipated by the Issuer due to Prefunded Loans including Discount Mortgages or Fixed Rate Mortgages) on the relevant Prefunded Loan Purchase Date subject, *inter alia*, to the following conditions being satisfied:

(a) the Prefunded Loan Purchase Date is a date falling on or prior to (i) the Determination Date immediately prior to the first Interest Payment Date and (ii) the relevant Payment Verification Date;

(b) the aggregate amount of the Prefunded Loans does not exceed the amount standing to the credit of the Prefunded Loans Ledger at the close of business on the day preceding the Prefunded Loan Purchase Date;

(c) upon the purchase of any Prefunded Loan, the general conditions set out below in this section have been satisfied;

(d) unless confirmed by the Rating Agencies as not affecting the then current ratings of the Notes, no Prefunded Loan will be a different type of Loan to those Loans in the Completion Mortgage Pool;

(e) all conditions set out in the Special Servicer Agreement and the Mortgage Sale Agreements relating to the sale and purchase of Prefunded Loans are satisfied;

(f) if any Prefunded Loan is secured by a Scottish Mortgage, the Issuer and the Trustee will obtain a legal opinion from Scottish Counsel in respect of such Loan confirming that the documents are legal, valid and binding in relation to such Loan under Scots Law; and

(g) a file audit has been undertaken in respect of the Prefunded Loans and the Rating Agencies have confirmed that the results of this audit and any additional reserves (if any) needed will be sufficient to ensure that the ratings of the Notes are not adversely affected on the relevant Prefunded Loan Purchase Date.

The general conditions referred to above in respect of the purchase of Prefunded Loans are as follows:

(a) the Lending Criteria as at the Initial Issue Date have been applied to the Prefunded Loans and to the circumstances of each Borrower at the time the Prefunded Loan was made;

(b) no Enforcement Notice has been given by the Trustee;

(c) no Park nor DACS 22 is in breach of any obligation on its part to repurchase any Loan in accordance with the DACS/RMS 22 Mortgage Sale Agreement;

(d) the Prefunded Loans comply with the warranties relating thereto set out in the DACS/RMS 22 Mortgage Sale Agreement;

(e) the Borrower is not in material breach of the relevant obligations on its part contained in the Mortgage Conditions; and

(f) the interest rate applicable in respect of any KVR Mortgage included in any Prefunded Mortgage Pool (save in respect of Discount Mortgages and Fixed Rate Mortgages where an appropriate reduction will be made in the purchase price paid by the Issuer in respect of an amount equal to the collateralised discount or shortfall in income that would otherwise have been payable but for the discount or limited fixed rate applying) will be equal to the KVR for that Prefunded Loan and the interest rate in respect of any LIBOR Mortgage will not be less than the relevant LIBOR for that Prefunded Loan plus 1.00 per cent. per annum.

ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE MORTGAGE POOL

Mortgage Administration Agreement and Special Servicer Agreement

The Mortgage Administrator is required to administer the Mortgage Pool on behalf of the Issuer and the Trustee under the Mortgage Administration Agreement. (See "*The Mortgage Administrator — Homeloan Management Limited*"). The duties of the Mortgage Administrator include:

(a) maintaining the Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage; and sending each Borrower an account statement every three months;

(b) collecting the scheduled monthly payments due on the Loans. Payments due on the majority of the Loans are settled by direct debit. HML is, therefore, required to present to the relevant bank the direct debit instruction approximately five days before the relevant payment date. The payments due from Borrowers collected by direct debits are credited automatically to one of two Originator's collection accounts in the name of RMS 22 (collectively, the "**Collection Accounts**") (and then swept on a daily basis to the GIC Account). Payments that are collected through other methods (such as debit card, cheque, cash and standing orders) are also credited by HML to the Collection Accounts. No money is permitted to pass through any accounts of HML;

(c) notifying Borrowers of changes in their scheduled monthly payments. LIBOR is refixed every three months. When such refixing takes place Borrowers are informed in writing of the new scheduled monthly payments;

(d) arranging annual renewal of buildings insurance where a Borrower maintains such insurance through a block policy. A freedom of agency policy (which is backed by the existing block policies) insures KG if the non block borrower fails to put insurance in place and obviates the need to charge/collate details of non block policies;

(e) dealing with the administrative aspects of redemption of a Loan. This includes arranging for the release of the deeds relating to the relevant Property together with the deed of release of the Mortgage to the relevant Borrower upon receipt of amounts required to pay the Loan; and

(f) dealing with enquiries and requests from Borrowers. These may include providing a credit reference from the lender, consenting to a transfer from joint Borrowers to a single Borrower (for example, upon a divorce), approving a tenancy agreement where a Borrower wishes temporarily to let the Property and providing details of the current outstanding balance.

HML will be obliged under the Mortgage Administration Agreement to act upon the instructions of the Special Servicer in relation to certain aspects of the administration of the Loans and the Mortgages. The Special Servicer shall exercise such discretion as is vested in it for the purpose of administering the Mortgage Pool as would be exercised by a Prudent Mortgage Lender.

The Mortgage Administrator is entitled to charge a fee for its mortgage settlement and related administration services under the Mortgage Administration Agreement, payable on each Interest Payment Date (subject to the proviso below and to the Priority of Payments) of an amount, inclusive of value added tax, equal to the product of 0.25 per cent. and the average of the aggregate Balances of the Loans on the first day of each calendar month or if such day is not a Business Day, the following Business Day during the Interest Period immediately preceding the relevant Interest Payment Date divided by four, provided however the Mortgage Administrator shall be entitled to be paid monthly in arrear on an interim basis.

The appointment of HML as Mortgage Administrator may be terminated by the Issuer (with the consent of the Trustee) or the Trustee on the happening of certain events of default, including non-performance of its

obligations under the Mortgage Administration Agreement or if insolvency or similar events occur in relation to HML or if, following the filing of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security in accordance with the Trust Deed. Following any such termination, the Issuer (with the consent of the Trustee) or the Trustee may appoint a substitute administrator. If no substitute administrator can be found who is willing to act as Mortgage Administrator, the Standby Servicer will assume this function under the terms of the Standby Servicer Agreement.

The Special Servicer is entitled to charge a fee for its services under the Special Servicer Agreement payable on each Interest Payment Date (subject to and in accordance with the Priority of Payments) of an amount, inclusive of value added tax, equal to the product of 0.03 per cent. and the aggregate Principal Amount Outstanding on all the A Notes, M Notes and B Notes on the first day of each Interest Period immediately preceding the relevant Interest Payment Date divided by four in respect of each full Interest Period (or, as applicable, *pro rata* in respect of any different period).

The appointment of KML as Special Servicer may be terminated by the Issuer (with the consent of the Trustee) or the Trustee upon the happening of certain events of default or if insolvency or similar events occur in relation to KML or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprising the Security in accordance with the Trust Deed.

Cash/Bond Administration Agreement

For the purpose of the administration of the Mortgage Pool, the Cash/Bond Administrator will be authorised to operate the Bank Accounts for the purpose of the Cash/Bond Administration Agreement. The duties of the Cash/Bond Administrator include, *inter alia*:

(a) managing the operation of the Liquidity Facility and the GIC Account;

(b) making the required ledger entries and calculations in respect of such ledger entries;

(c) maintaining and/or replenishing the Reserve Fund; and

(d) distributing Available Revenue Funds in accordance with and operating the Priority of Payments and making arrangements for the payment by the Issuer of interest and principal in respect of the Notes and the MER Distributions subject to the terms thereof and to the availability of funds.

The Cash/Bond Administrator is entitled to charge a fee for its services under the Cash/Bond Administration Agreement, payable on each Interest Payment Date as provided for in the Priority of Payments.

The appointment of KML as Cash/Bond Administrator may be terminated by the Issuer (with the consent of the Trustee) or the Trustee upon the happening of certain events of default or if insolvency or similar events occur in relation to KML or if, following the giving of an Enforcement Notice in relation to the Notes, the Trustee is entitled to dispose of the assets comprised in the Security. Following any such termination, the Issuer (with the consent of the Trustee) or the Trustee may appoint a substitute cash/bond administrator. If no substitute cash/bond administrator can be found who is willing to act as Cash/Bond Administrator, the Standby Cash/Bond Administrator will assume this function under the terms of the Standby Cash/Bond Administration Agreement.

Enforcement Procedures

HML and the Originators have established procedures that HML is required to adhere to for managing Loans that are in arrears ("**Enforcement Procedures**"), including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures as from time to time varied in accordance with the practice of a Prudent Mortgage Lender as dictated by the Special Servicer will continue to be applied in respect of arrears arising on the Mortgages. In this context, the non-discretionary elements of the Enforcement Procedures will be operated by the Mortgage Administrator whereas the majority of the discretionary elements will remain with the Special Servicer, who may appoint the Mortgage Administrator to undertake certain of these elements.

Further Advances and Substitution

Further Advances

The Issuer may fund Further Advances, through an Originator as lender of record, to Borrowers secured on the relevant Property at any time subject, *inter alia*, to the following conditions:

(a) immediately prior to the acquisition of any Further Advance, the relevant Borrower is not in material breach of any of the conditions of the relevant Borrower's existing Loan or Mortgage;

(b) upon the acquisition of the Further Advance, the general conditions set out below in this section have been satisfied;

(c) the provisions of the Consumer Credit Act 1974, the FSM Act, MCOB and the UTCC Regulations have been complied with to the extent they are in force and apply to such Further Advance;

(d) the amount of the Further Advance to be purchased by the Issuer (together with all other Further Advances purchased by the Issuer on that day) does not exceed an amount equal to the aggregate of the Available Capital Funds (as defined in Condition 5) at such time and the amount standing to the credit of the Further Advances Ledger at such time;

(e) prior to the acquisition of the Further Advance, no second ranking mortgage has been created over the relevant Property unless such second ranking mortgage has been expressly subordinated by deed to the Mortgage securing such Further Advance;

(f) any increase in the weighted average LTV of the outstanding Mortgage Pool immediately following the purchase by the Issuer of the Further Advance shall not be more than 1.50 per cent. greater than the weighted average LTV of that outstanding mortgage pool as at the Initial Issue Date;

(g) the Reserve Fund shall be at its required amount;

(h) the total balance of all Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 22.50 per cent. of the total balance of all the Loans in the Mortgage Pool, save that the figure of 22.50 per cent. may be increased from time to time upon the Rating Agencies agreeing that such increase will not cause the then current ratings of the Notes to be suspended, qualified, withdrawn or downgraded;

(i) all conditions set out in the Special Servicer Agreement relating to Further Advances have been satisfied;

(j) there is no debit balance on any Principal Deficiency Ledger; and

(k) there can be no outstanding drawings on the Reserve Fund.

The "**Further Advances Ledger**" means the ledger of such name created and maintained by the Cash/Bond Administrator as a ledger of the GIC Account and as defined in Condition 5.

Notwithstanding the preceding conditions, an Originator may make a further advance to a Borrower secured on a Property or related security provided that such further advance is made as a separate loan not forming part of the Mortgage Pool and the Originator's security for such advance ranks in priority of payment and in point of security after the priority afforded to the mortgagee under the relevant Mortgage securing repayment of the relevant Loan comprised in the Mortgage Pool.

Substitution

In the event that an Originator or Park becomes obliged to repurchase a Loan from the Issuer, the Originator or Park shall be entitled, by notice in writing to the Issuer and the Trustee, to sell to the Issuer one or more Substitute Loans with an aggregate Balance equal to the Balance of the Loan to be repurchased from the Issuer and the Issuer shall be required to purchase such Substitute Loans from the Originator or Park with the

proceeds of the price payable by the Originator or Park to the Issuer for the repurchase of the relevant Loan from the Issuer, provided that the following conditions are satisfied:

(a) the principal amount outstanding of the Substitute Loan (together with all other Substitute Loans sold to the Issuer on that day and amounts credited to the Further Advances Ledger and Further Advances purchased by the Issuer (otherwise than from funds credited to the Further Advances Ledger) on that day) do not exceed an amount standing to the credit of the Principal Ledger at the close of business on the day preceding the last Determination Date calculated in accordance with the Cash/Bond Administration Agreement;

(b) upon the purchase of any Substitute Loan, the general conditions set out below in this section will be satisfied;

(c) the Substitute Loan shall have Verified prior to purchase;

(d) the Substitute Loan will not, unless confirmed by the Rating Agencies as not adversely affecting the then current ratings of the Notes, be a different type of Loan to those Loans in the Completion Mortgage Pool;

(e) if the Substitute Loan is secured by Scottish Mortgage, the Issuer and Trustee will obtain a legal opinion from Scottish Counsel in respect of such loan confirming that the documents are legal, valid and binding in relation to such Loan under Scots law; and

(f) all conditions set out in the Mortgage Sale Agreements relating to the sale and purchase of Substitute Loans will be satisfied.

The general conditions referred to above in respect of the acquisition by the Issuer of Further Advances and/or Substitute Loans are as follows:

(a) the Lending Criteria insofar as they are applicable to the Further Advance or Substitute Loan have been applied to the Further Advance or Substitute Loan and to the circumstances of the Borrower at the time the Further Advance or Substitute Loan was made;

(b) any significant change which has been made to the Lending Criteria shall have been disclosed by the Originator or Park to the Rating Agencies insofar as the change is applicable to the Further Advance or Substitute Loan;

(c) the sum of any incremental increase in the weighted average LTV of the Mortgage Pool following the purchase by the Issuer of any relevant Further Advance and/or Substitute Loan over the life of the transaction shall not be more than 1.50 per cent. greater than the weighted average LTV as at the Initial Issue Date, of the outstanding mortgage pool;

(d) no Enforcement Notice has been given by the Trustee which remains in effect;

(e) the Balance of the Substitute Loan and/or the Further Advances and provisions for Further Advances, when added to the sum of the aggregate Balances of any Substitute Loans and Further Advances previously purchased during the relevant Interest Period, does not exceed 15 per cent. of the aggregate of the Balances of the Loans in the Completion Mortgage Pool as at the Initial Issue Date and any of any Prefunded Mortgage Pool as at the relevant Prefunded Loan Purchase Date, save that the figure of 15 per cent. referred to above may be increased from time to time upon the Rating Agencies agreeing that such increase will not cause the then current ratings of the Notes to be suspended, qualified, withdrawn or downgraded;

(f) the total balance of all Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 22.50 per cent. of the total balance of all the Loans in the Mortgage Pool, save that the figure of 22.50 per cent. may be increased from time to time upon the Rating Agencies agreeing that such

increase will not cause the then current ratings of the Notes to be suspended, qualified, withdrawn or downgraded; and

(g) the Originator or Park is not in breach of any obligation on its part to repurchase any Loan in accordance with the Mortgage Sale Agreements.

Conversion of Mortgages

One of the powers of discretion which the Issuer and the Trustee will delegate to the Special Servicer is the right to agree to a request by a Borrower to convert his Loan (subject to satisfaction of the following conditions) into any other type of mortgage product offered by the relevant Originator (a "**Converted Loan**"), provided that a conversion to such other type of mortgage would not cause the then current ratings of the Notes to be suspended, qualified, withdrawn or downgraded and the Trustee has given its prior written consent thereto. The relevant conditions are:

(a) no Enforcement Notice has been given by the Trustee which remains in effect at the date of the relevant conversion;

(b) no Converted Loan and no agreement to make such conversion constitutes a regulated consumer credit agreement, as defined in the Consumer Credit Act 1974, in whole or in part;

(c) no Converted Loan and no agreement to make such conversion constitutes a regulated mortgage contract, as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 in circumstances where the lender under the Converted Loan is not an authorised person pursuant to the FSM Act;

(d) the Converted Loan will be on terms of the relevant standard documentation utilised at the time of such conversion by the Originator to document the terms of loans and which has not been varied in any material respect since the Initial Issue Date;

(e) the Lending Criteria have been applied to the Loan, so far as applicable;

(f) any significant change which has been made to the Lending Criteria shall have been disclosed by the Originator or Park to the Rating Agencies insofar as the change is applicable to the Loan;

(g) the effect of the conversion would not be to extend the final maturity date of such Loan to beyond the date falling three years prior to the final maturity of the Class M Notes;

(h) the total Balance of all Loans in the Mortgage Pool at that time which are 90 days or more in arrears does not exceed 22.50 per cent. of the total Balance of all the Loans in the Mortgage Pool, at that time save that the figure of 22.50 per cent. may be increased from time to time upon the Rating Agencies agreeing that such increase will not cause the then current ratings by the Rating Agencies of the Notes to be suspended, qualified, withdrawn or downgraded;

(i) all Warranties set forth in the Mortgage Sale Agreements are correct in relation to the Converted Loan upon such conversion;

(j) following such conversion, the aggregate of the Balances of Loans which have converted from Repayment Loans to Interest Only Loans shall not exceed 15 per cent. of the aggregate Balances of Loans comprising the Completion Mortgage Pool as of the Initial Issue Date;

(k) there are no outstanding drawings on the Reserve Fund;

(l) in the event that a LIBOR Standard Mortgage or KVR Standard Mortgage is converted to a Fixed Rate Mortgage the Issuer shall enter into fixed/floating hedging arrangements satisfactory to the Rating Agencies for the fixed rate period with a notional amount equal to the Balance of such Loan;

(m) in the event that the margin on the Loan receivable pursuant to any hedging arrangement in respect of a Loan referred to at (l) above is less than the full reversionary margin on such Loan as at the Initial Issue Date, then the difference between such amounts shall have been collected from the Revenue Receipts and credited to the Fixed Rate/Discount Collateral Ledger subject to (n) below;

(n) in the event that a LIBOR Standard Mortgage or KVR Standard Mortgage is converted to a Discount Mortgage, the aggregate amount of such discount for the term of such Discount shall have been collected and credited to the Fixed Rate/Discount Collateral Ledger (or otherwise comply with (o) below);

(o) in the event that conversion of a Loan will cause the weighted average full reversionary margin of the Mortgage Pool to decrease more than 0.15 per cent. below the weighted average full reversionary margin, as at the Initial Issue Date, of the outstanding mortgage pool, no such conversion shall be permitted unless a sum equal to such shortfall in the full reversionary margin shall have been collected from Revenue Receipts and credited to the Fixed Rate/Discount Collateral Ledger; and

(p) there shall be no debit balance on any Principal Deficiency Ledger.

Insurance Contracts

Buildings Insurance

The Issuer and the Trustee will have the benefit of a Block Buildings Policy (as defined below) to the extent of their respective interests in the Loans. The following is only a brief description of certain insurance policies and does not purport to summarise or describe all of the provisions of these policies. Borrowers are not obliged to insure their respective Properties under the Block Buildings Policy and may insure with a third party insurer (a "**Third Party Policy**"). Third Party Policies are subject to underwriting and approval of individual Loans by the respective insurers. The description of any insurance policy described in this Prospectus and the coverages thereunder do not purport to be complete and are qualified in their entirety by reference to such forms of policies, sample copies of which are available from the Mortgage Administrator upon request.

The Lending Criteria require that either the relevant Property is insured under a block buildings policy (a "**Block Buildings Policy**") in the name of the relevant Originator or that the interest of the relevant Originator is noted on, or that the relevant Originator is included as joint insured under, a buildings insurance policy over the relevant Property. The Originators have warranted in the Mortgage Sale Agreements in respect of the Loans it has originated and will warrant in the DACS/RMS 22 Mortgage Sale Agreement, that:

(a) at the time the relevant Loan was completed, the relevant Property was insured under a Block Buildings Policy or a buildings policy either (i) in the joint names of the mortgagor and the relevant Originator respectively, or (ii) with the interest of the relevant Originator (as mortgagee or heritable creditor) endorsed or deemed noted thereon or (iii) (in the case of Agency Originated Loans only) in the name of the relevant Originator alone or, in the case of leasehold property, is covered by a landlord's building insurance policy, with, where possible, the interests of the relevant Originator and the mortgagor endorsed or deemed noted thereon ("**primo loco**" in the case of a Scottish mortgagor), in each case relating to an Agency Originated Loan with a reputable insurance company agreed to by the Originator, against all risks usually covered by a Prudent Mortgage Lender when advancing money on the security of property of the same nature to an amount not less than the full reinstatement value determined at or around the time the related Loan was completed and the relevant Originator has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy; and

(b) each Block Buildings Policy is in full force and effect, all premiums have been paid as at the Initial Issue Date and none of the Parks are aware of any ground for the avoidance or termination of any of the Block Buildings Policies so far, in each case, as they relate to the Properties.

ASU Policies

Certain Borrowers may have the benefit of accident, sickness and unemployment insurance. These policies typically provide up to 12 months' cover in respect of mortgage interest payments.

Insurance premiums payable by Borrowers directly to the relevant lender in respect of buildings or accident, sickness and unemployment insurance will (subject to actual payment by those Borrowers) be received by the Issuer and will represent amounts payable to third party insurers together with a commission. Any amounts due in respect of such commissions will be paid to the Cash/Bond Administrator in accordance with the provisions of the Cash/Bond Administration Agreement.

REGULATION OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

Introduction

The United Kingdom residential mortgage market is generally regulated by statute (FSM Act) with certain aspects of consumer lending (whether secured or unsecured) being regulated by the Consumer Credit Act 1974 (the "**CCA**") and additional consumer protection is also provided under the Unfair Terms in Consumer Contracts Regulations 1999. The following summary of certain regulatory considerations does not discuss all aspects of applicable legislation and other authorities which may be important to prospective investors.

Consumer Credit Acts 1974 and 2006

Certain mortgage loans (generally excluding all regulated mortgage contracts under the FSM Act) are regulated by the CCA where the "**amount of credit**" as defined in the CCA does not exceed the financial limit, which is £25,000 for mortgage loans made on or after 1 May 1998 or £15,000 for mortgage loans made before that date.

A regulated credit agreement under the CCA must comply with requirements as to licensing and content, layout and execution. Failure to comply with such requirements renders the relevant agreement unenforceable. However, in certain circumstances, non-compliant regulated credit agreements may be enforced with the permission of the courts.

The Department of Trade and Industry (the "**DTI**") published a consultation in July 2001 on raising the financial limit in the CCA, and in March 2002 on raising or removing the financial limit in the CCA. In December 2003, the DTI published a White Paper proposing amendments to the CCA and to secondary legislation made under it. A number of proposals were set out in a separate consultation document. These proposals included a requirement to provide certain information to consumers before they enter into a contract and would also amend the information required to be included in contracts in order to make the significant contractual terms more readily available and clearer.

Following a proposal for a new EU Directive on consumer credit (see further below), which, in the form then considered, would have removed the financial limit in the existing EU Directive on consumer credit, and following feedback to the DTI consultation, on 16 December 2004, the Consumer Credit Act 2006 has been enacted, having received Royal Assent on 30 March 2006.

The Consumer Credit Act 2006, when implemented, will make some significant amendments to the CCA, including removal of the financial limits in the CCA where the borrower is or includes an individual, unless an exemption applies. Accordingly, any Loan or Further Advance originated after 1 November 2004, other than a regulated mortgage contract under the FSM Act, will be regulated by the CCA unless an exemption applies.

When the amendments to be made to the CCA by the Consumer Credit Act 2006 are implemented (the date of which is yet to be determined) this financial limit of £25,000 will be removed in respect of non-business lending. However lending in any amount to high net worth debtors ("**high net worth**" not currently defined), and lending of sums in excess of £25,000 to debtors where the consumer credit agreement in question is entered into by the debtor wholly or predominantly for the purpose of a business carried on, or intended to be carried on, by him, will be exempt from most requirements of the CCA.

The removal of the financial limit described above, together with other amendments in the Consumer Credit Act 2006 will therefore: (a) make all Loans subject to some form of regulation (unless an exemption applies); (b) increase the possibility of a challenge to agreements on the basis of "**unfairness**" (with some retrospective application to existing agreements); (c) set out proportionality principles for courts in their enforcement of consumer credit agreements so that courts will have discretion in relation to all questions of enforceability; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

The following is a brief description of the statutory instruments which also emanated from the consultation process.

The Consumer Credit (Advertisements) Regulations 2004, which came into force on 31 October 2004, changed, amongst others, the circumstances where the APR and other key financial indicators relating to the cost or other terms of a regulated product must be displayed. These regulations also lay down new rules for calculating APRs quoted in advertisements.

The Consumer Credit (Disclosure of Information) Regulations 2004, which came into force on 31 May 2005, specify information to be disclosed to the debtor before a regulated agreement is made. Such pre-contract information allows the consumer to have a summary of the key features that they can use to help them compare products and select the most appropriate.

The Consumer Credit (Agreements)(Amendment) Regulations 2004, which came into force on 31 May 2005, amends certain existing requirements in relation to the form and contents of documents embodying regulated agreements which include, amongst other topics, term of credit, total charge for credit, rate of interest, charges and cancellation rights.

The Consumer Credit (Early Settlement) Regulations 2004, which came into force on 31 May 2005, contain provisions relating to the conduct of early settlement of regulated agreements and include provisions relating to, amongst other topics, ceiling amounts which cannot be breached by lenders when calculating the sum owed by consumers on early settlement, determination of the date of actual early settlement payment and dealing with requests for early settlement. The regulations provide a minimum rebate calculated by reference to a set formula. The regulations have retrospective effect in that they will apply to agreements entered into prior to 31 May 2005 for a term of ten years or less with effect from 31 May 2007 and to such agreements for a term of more than ten years with effect from 31 May 2010. Following such dates, regulated agreements containing early settlement provisions which do not comply with the regulations would be unenforceable as against the debtor. A court will not substitute the calculation provided in the regulations and therefore it must be specified in the agreement itself.

Proposed European Directive on Consumer Credit

In September 2002, the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the member states concerning credit for consumers and surety agreements entered into by consumers. The proposal includes (among other things) specific documentation and procedural requirements in respect of loan origination and administration; for example, a key requirement under the proposed Directive is that each further advance must be subject to new underwriting and a new contract. Penalties for non compliance with these requirements will be determined by the member states, and may include provision that credit agreements that do not comply will be unenforceable against the borrower as a whole or in part.

In its original form, the proposed directive did not apply to residential mortgage loans for home purchase or home improvement, other than loans where all or part of the mortgage credit is for equity release, such as a further advance. However, there has been significant opposition from the European Parliament to the original form of the proposed directive, and in April 2004, the European Parliament published a re drafted form of the proposed directive, removing all credit secured on real estate (including equity release schemes) from the scope of the proposed directive. In October 2004, the European Commission published an amended form of the proposed directive and a further revised proposal for the directive in October 2005. In this amended form, the proposed directive will apply to certain types of consumer credit of up to €50,000 but excludes from its scope all mortgage credit agreements. As equity release agreements are classed as mortgage credit agreements for the purposes of this proposal, they fall outside the scope of the proposal. If the proposed Directive is finalised, member states will have two years in which to bring national implementing legislation into force. Until the final text of the Directive is decided and the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the Directive would have on the

Loans and/or the Originators and/or the Issuer and/or the Mortgage Administrator and their respective businesses and operations. No assurance can be given that the finalised Directive will not adversely affect the ability of the Issuer to make payments to Noteholders.

In July 2005, the European Commission issued a Mortgage Credit Green Paper. The Green Paper contains the Commission's initial strategy on better integration of the EU market for mortgages. At this stage, it is too early to predict whether the Commission would recommend any particular legislative (or other) steps to harmonise the EU mortgage sector.

Unfair Terms in Consumer Contracts Regulations

The Unfair Terms in Consumer Contracts Regulations 1999, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together the "**UTCC Regulations**") apply in relation to the Loans. A Borrower may challenge a term in an agreement on the basis that it is "**unfair**" within the meaning of the UTCC Regulations and therefore not binding on the Borrower, and that the Office of Fair Trading or a qualifying body (as defined in the UTCC Regulations) may seek an injunction (or its equivalent in Scotland) preventing a business from relying on an unfair term.

This will not generally affect "**core terms**" which set out the main subject matter of the contract, such as the Borrower's obligation to repay principal, but may affect terms deemed to be ancillary terms, which may include terms the application of which are in the Originators' discretion (such as a term permitting the Originator to vary the interest rate), or the ability to impose a charge upon repayment by reference to Mortgage Early Redemption Amounts.

If a term of a Loan permitting the lender to vary the interest rate is found to be unfair, the Borrower will not be liable to pay the increased rate or, to the extent that the Borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set-off the amount of the claim against the amount owing by the Borrower under the Loan. Any such non-recovery, claim or set-off may adversely affect the realisable value of the Loans in the Mortgage Pool and accordingly the ability of the Issuer to meet its obligations in respect of the Notes.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCC Regulations unless the lender (i) notifies the affected borrower in writing at least 30 days before the rate change and (ii) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Originators have reviewed the guidance note and have concluded that their compliance with it will have no material adverse effect on the Loans or their business. The guidance note has currently been withdrawn from the OFT website and is under review by the OFT and the FSA. The FSA has agreed with the OFT to take responsibility for the enforcement of the UTCC Regulations in mortgage agreements.

In May 2005, the FSA issued a "Statement of Good Practice" on the fairness of terms in consumer contracts. The statement applies exclusively to the conduct of FSA regulated firms. The statement provides that the power to vary interest rates during the lifetime of a mortgage contract is not inherently unfair. The statement sets out the FSA's views on how firms may approach drafting so as to avoid the risk of terms being unfair. Accordingly, interest rate variation clauses must be justified on valid reasons (e.g., to allow to respond proportionately to changes in the Bank of England base rate), lenders must notify consumers of the change in advance of entering into the contract and before or immediately after the change occurs and, in particular, lenders must ensure that variation clauses where consumers are "locked-in" are fair.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission issued a joint consultation LCCP No. 166/SLCDP 119 on proposals, *inter alia*, to rationalise the United Kingdom's Unfair

Contract Terms Act 1977 and the UTCC Regulations into a single piece of legislation and a final report (incorporating a draft bill) was published on 24 February 2005. The proposals are primarily to simplify the legislation on unfair terms and preserve the existing level of consumer protection. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that in claims brought by consumers, the burden of proof will universally lie on the business to show that the term is fair. It is too early to tell how the proposals, if enacted, would affect the Loans.

No assurance can be given that changes in the UTCC Regulations, if enacted, will not have an adverse effect on the Loans, Kensington or the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to dispose of the Mortgage Pool, or any part thereof, in a timely manner and/or the realisable value of the Mortgage Pool, or any part thereof, and accordingly affect the ability of the Issuer to meet its obligations under the Notes when due.

Distance Marketing of Financial Services

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the "DMD") has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the "**DMD Regulations**"), as amended, and amendments to MCOB. In essence the DMD requires that in respect of distance contracts (i.e., those contracts where there is no face-to-face contact with the consumer), consumers have the right to receive certain information and, for some financial services, a right to cancel.

The DMD Regulations and MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; certain contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers of distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst other things, in the case of contracts for financial services where the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage on land or a Standard Security in Scotland, provided the requisite information has been given to the consumer. The above provisions may be enforced by way of injunction (interdict in Scotland). Any term in a distance contract will be void and unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the DMD Regulations.

Unfair Commercial Practices Directive 2005 ("UCP")

The UCP, of 11 May 2005, seeks to regulate unfair commercial practices across the EU by establishing uniform rules for the protection of consumers. The UCP would apply to all consumer contracts (to the exclusion of provisions relating to health and safety) and contains a wide prohibition on "**unfair commercial practices**" with examples of practices which would violate this principle by virtue of being "**misleading**" or "**aggressive**". Examples of such conduct include the dissemination of false information at any stage of the relationship or conduct involving harassment, coercion or undue influence. In the event of a conflict between the provisions of the UCP and other pre-existing EU measures, the latter will prevail.

Member States are obliged to adopt national implementing measures by 12 June 2007 and apply these provisions by December 2007. In December 2005, the DTI published a consultation paper considering how the directive should be transposed into United Kingdom domestic law. Until the final details of United Kingdom implementing legislation are published, it is not certain what effect the implementation of the UCP would have on the Loans and/or the Originators and/or the Issuer and/or the Mortgage Administrator and their respective businesses and operations. No assurance can be given that the UCP will not adversely affect the ability of the Issuer to make payments to Noteholders.

The Financial Ombudsman Service

Under the FSM Act, the Financial Ombudsman Service is required to make decisions on, *inter alia*, complaints relating to the terms in agreements on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

The Financial Ombudsman Service may order a money award to a Borrower, which may adversely affect the value at which the Loans in the Mortgage Pool could be realised and accordingly the ability of the Issuer to meet its obligations under the Notes.

The Financial Services and Markets Act 2000

In January 2000, H.M. Treasury announced that the FSA would regulate mortgage business. H.M. Treasury has made (under the FSM Act) the Financial Services and Markets Act 2000 (Regulated Activities) order 2001 (SI2001/544) as amended (the "**Order**"), specifying that entering into "**regulated mortgage contracts**" (see earlier discussion as to the meaning of a "**regulated mortgage contract**") as a lender, arranging "**regulated mortgage contracts**", advising on "**regulated mortgage contracts**" and (in certain circumstances) administering "**regulated mortgage contracts**" are regulated activities.

The rules relating to the regulation of mortgages came into effect on 31 October 2004, a date known as "**N(M)**" .

KMC and HML have been "**authorised persons**" from 31 October 2004 for the purposes of the FSM Act.

The main effects of the new regulatory regime are that each entity carrying on a regulated activity is required to hold permission from the FSA (and thereby be authorised under the FSM Act) to carry on that activity. Any conduct in relation to a Loan which is either in breach of the authorisation requirement or the financial promotion requirement contained in the FSM Act renders the relevant Loan unenforceable as against the Borrower except with the approval of a court with potential compensation payable to the Borrower.

Article 62 of the Order states that a person who is not an authorised person does not carry on the activity of administering a regulated mortgage contract where he arranges for another person, being an authorised person with permission to carry on that activity, to administer the contract or administers the contract himself for a period of not more than one month beginning with the day on which any such arrangement comes to an end. Accordingly, a special purpose vehicle (such as RMS 22) will not carry on any regulated activity in relation to regulated mortgage contracts that are administered pursuant to a servicing agreement by an entity having the required authorisation and permission (such as HML). If such a servicing agreement were to terminate, however, that vehicle would have a period of not more than one month to arrange for the mortgage administration to be carried out by a replacement servicer having the required authorisation and permission.

Mortgage contracts entered into before N(M) and subsequently varied will not be regulated under these rules. However, mortgage contracts that are entered into before N(M), but are subsequently changed such that a new contract is entered into, and contracts entered into after N(M) (complying with certain conditions as set out earlier) will be regulated mortgage contracts under the FSM Act.

None of the Originators (other than KMC) propose to be authorised persons under the FSM Act. Therefore, in the event that a Park Originated Loan is varied after 31 October 2004, such that a new contract is entered into and the contract constitutes a regulated mortgage contract then the arrangement of, advice on, administration of and entering into of such variation will be carried out by KMC. It is also possible that after the 31 October 2004, the provision of a Further Advance under a Park Originated Loan could, depending on the circumstances in which it is made, constitute a new regulated mortgage contract being entered into. In such circumstances, KMC will enter into any such Further Advance as lender of record.

The FSA Mortgages Conduct of Business Sourcebook ("**MCOB**") sets out detailed rules in respect of regulated mortgage activities. These rules cover, amongst other things, pre-contract, start of contract and post-sale disclosures, rules on contract changes, charges, arrears and repossessions and certain pre-origination matters, such as financial promotions, and pre-application illustrations ("**key facts illustrations**"). The FSA can impose a wide range of sanctions ranging from fines, limitation on business activities and ultimately, withdraw the firm's permission for failure to comply with such rules.

To avoid dual regulation, Article 90 of the Order states that regulated mortgage contracts under the FSM Act will not be regulated by the CCA. This carve-out only affects regulated mortgages entered into on or after N(M). A court order under section 126 of the CCA will, however, be necessary to enforce a mortgage securing a regulated mortgage contract that would otherwise be regulated by the CCA.

In March 2001, the European Commission published a recommendation to member states urging their lenders to subscribe to the code issued by the European Mortgage Federation (the "**EMF Code**"). On 26 July 2001, the CML decided to subscribe to the code collectively on behalf of its members. Lenders had until 30 September 2002 to implement the EMF Code, an important element of which is the provision to consumers of a European Standardised Information Sheet (an "**ESIS**") similar to the key facts illustration required by the FSA. The CML has informed the European Commission and the European Mortgage Federation that United Kingdom lenders would only be in a position to provide ESIS to consumers with effect from N(M). While compliance with the EMF Code is voluntary, if the EMF Code is not effective, the European Commission is likely to see further pressure from consumer bodies to issue a directive on mortgage credit or to extend its proposal for a Directive on consumer credit to all mortgage credit.

The CML Code

Self-regulation within the market under the CML Mortgage Code (the "**Code**"), to which mortgage intermediaries and lenders, including the Originators, subscribed, ceased to apply from 31 October 2004 (the Code remains applicable, however, to mortgage contracts originated by the Originators prior to N(M)). The Code, which is voluntary, set out the minimum standards of good mortgage lending practice which subscribers to the Code must follow. Since 1 April 1998, lenders subscribing to the Code could not use intermediaries unless such intermediaries were registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (from 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. The Originators required that intermediaries used by them subscribe to the Code.

The Code regulated the lenders' residential mortgage products and services, from initial advice given to consumers choosing a mortgage to dealing with borrowers experiencing financial difficulties.

Under the Code, a lender was under an absolute obligation to the extent set out therein to help a borrower choose a mortgage to fit his or her needs and to confirm in writing which specified level of service has been provided in this regard. In addition, before offering a mortgage to the borrower, the lender was under an absolute obligation to assess his/her ability to repay and all mortgage products needed to be written in plain English and comply with the Code.

Lenders were required to ensure that the borrower had clear information on the mortgage products available and understood the financial implications of the mortgage and how the mortgage account would operate. The clear information to be provided included explaining the main repayment methods offered, repayment of interest only mortgages, the types of interest rates available, the effect on the mortgage of early repayment or changes in the borrower's personal circumstances, whether the mortgage was subject to insurance with the lender, and general information on any costs, fees or other expenses payable by the borrower.

On any default, the lender is required to consider cases of financial difficulty and mortgage arrears sympathetically and positively and must follow the general principles of the CML's Statement of Practice on handling arrears and possessions. Under CML's Statement of Practice, possession of a borrower's property should be sought only as a last resort when alternative arrangements have been unsuccessful.

All complaints by borrowers are handled fairly and speedily with borrowers being advised of the Ombudsman or arbitration scheme to which the relevant lender belongs.

Non-Status Lending Guidelines for Lenders and Brokers

KML, the Parks and the Originators follow the Guidelines which were issued by the Office of Fair Trading on 18 July 1997 and revised in November 1997.

The Guidelines regulate the activities of lenders in relation to their activities in the non-status lending market in areas such as advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates and early redemption payments.

The Guidelines promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanations of all fees and charges payable by the borrower in connection with the mortgage.

The Guidelines, like the Code, provide that lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay, taking into account all relevant circumstances, such as the purpose of the loan, the borrower's income, outgoings, employment and previous credit history. Lenders must take all reasonable steps to verify the accuracy of information provided by borrowers on or in support of the loan application and all underwriting staff must be properly trained and supervised.

Throughout the term of the mortgage, the Guidelines emphasise prompt notification to borrowers of any changes in the terms and conditions of the mortgage. For example, the lender may not change the borrower's monthly payment date unilaterally unless two months notice has been given and the borrower must be given at least fourteen days' notice of any variation to the applicable interest rate.

WEIGHTED AVERAGE LIVES OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of redemption of the Mortgages.

The model used in this Prospectus for the Mortgages represents an assumed constant per annum rate of prepayment ("**CPR**") each month relative to the then outstanding principal balance of a pool of mortgage loans. CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Mortgages to be included in the Completion Mortgage Pool or any Prefunded Mortgage Pool.

The following tables were prepared based on the characteristics of the Loans to be included in the Mortgage Pool and the following additional assumptions (the "**Modelling Assumptions**"):

(a) there are no arrears or enforcements;

(b) no Loan is sold by the Issuer;

(c) no Principal Deficiency arises;

(d) no Loan is repurchased by the relevant Park;

(e) no Substitute Loans are purchased;

(f) no Further Advances are made;

(g) the portfolio mix of loan characteristics remain the same throughout the life of the Notes and 100 per cent. of the Mortgage Pool is purchased at the Initial Issue Date;

(h) the interest payment as well as the principal payment for each Loan is calculated on a loan-by-loan basis assuming each Loan amortises monthly (meaning the amortisation of each Loan is determined by the loan specific (i) term, (ii) principal outstanding and (iii) margin plus LIBOR);

(i) the amortisation of any Repayment Loan is calculated as an annuity loan;

(j) all Loans which are not Repayment Loans are assumed to be Interest Only Loans;

(k) there are 131 days between the Initial Issue Date and the first Interest Payment Date;

(l) Non-Verified Loans in the Mortgage Pool Verify;

(m) a LIBOR rate of 4.65 per cent. on the Sterling Notes and the Sterling Equivalent of the aggregate Principal Amount Outstanding of the U.S.$ Notes and the Euro Notes; and

(n) all Prefunded Loans are treated as being purchased in full on 7 July 2006.

The actual characteristics and performance of the Mortgages are likely to differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Mortgages will prepay at a constant rate until maturity, that all of the Mortgages will prepay at the same rate, that all the Loans will Verify or that there will be no defaults or delinquencies on the Mortgages. For information concerning the rates at which Non-Verified Loans have Verified in the last nine mortgage sale arrangements, relating to the RMS Programme, entered into by KG group companies, see "*Summary Information — Prefunding/Non-Verified Loans*" and "*Risk Factors — Factors Associated with Non-Verified Loans*".

Any difference between such assumptions and the actual characteristics and performance of the Mortgages, or if the Prefunded Amount is not fully used will cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

Weighted Average Life in Years
(without optional redemption on the Interest Payment Date falling in November 2013)

	CPR							
	0%	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%[(1)]**
A1 Notes	11.33	2.19	1.52	1.17	0.96	0.81	0.71	1.18
A2 Notes	19.66	5.30	3.63	2.73	2.16	1.79	1.50	2.13
A3 Notes	23.89	10.75	7.63	5.68	4.61	3.75	3.20	3.73
M1 Notes	23.92	10.90	7.69	5.78	4.62	3.93	3.21	3.87
M2 Notes	23.92	10.90	7.69	5.78	4.62	3.93	3.21	3.87
B1 Notes	23.92	10.90	7.69	5.78	4.62	3.93	3.21	3.87
B2 Notes	23.92	10.90	7.69	5.78	4.62	3.93	3.21	3.87

Note:

(1) This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

The above table assumes that the Notes are redeemed at their Principal Amount Outstanding on the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the A1b Notes and the Euro Notes) is less than 20 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the A1b Notes and the Euro Notes).

Weighted Average Life in Years
(with optional redemption on the Interest Payment Date falling in November 2013)

	CPR							
	0%	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%[(1)]**
A1 Notes	6.66	2.19	1.52	1.17	0.96	0.81	0.71	1.18
A2 Notes	7.36	5.30	3.63	2.73	2.16	1.79	1.50	2.13
A3 Notes	7.36	7.25	6.59	5.68	4.61	3.75	3.20	3.73
M1 Notes	7.36	7.29	6.64	5.78	4.62	3.93	3.21	3.87
M2 Notes	7.36	7.29	6.64	5.78	4.62	3.93	3.21	3.87
B1 Notes	7.36	7.29	6.64	5.78	4.62	3.93	3.21	3.87
B2 Notes	7.36	7.29	6.64	5.78	4.62	3.93	3.21	3.87

Note:

(1) This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

The above table assumes that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) is less than 20 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) and (ii) the Interest Payment Date falling in November 2013.

SENSITIVITY OF THE DETACHABLE A COUPONS TO PREPAYMENTS

Sensitivity of the Detachable A Coupons to Prepayments

The yield to an investor in the Detachable A Coupons will be sensitive to both the timing of receipt of prepayments and the overall rate of principal prepayment on the Loans, which rate may fluctuate significantly from time to time. An investor in the Detachable A Coupons should fully consider the associated risks, including the risk that a rapid rate of principal prepayments could result in the failure of an investor in the Detachable A Coupons fully to recover its initial investment.

The table below indicates the sensitivity of valuation of the Detachable A Coupons with respect to the A1, A2 and A3 Notes (as applicable) to various assumptions based upon, amongst other things, the Modelling Assumptions set forth under "*Weighted Average Lives of the Notes*" above.

The tables assume that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) is less than 20 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) and (ii) the Interest Payment Date falling in November 2013 and that the Detachable A Coupons will cease to pay interest on the earlier of the date on which the relevant A Note is redeemed in full and the Interest Payment Date falling in November 2011.

For these purposes it has not been necessary to specify or include any assumption relating to the fact that (1) Detachable A1-2009 Coupons, Detachable A2-2009 Coupons and Detachable A3-2009 Coupons will accrue interest from the Initial Issue Date and will cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2009 and (2) the Detachable A1-2011 Coupons, Detachable A2-2011 Coupons and Detachable A3-2011 Coupons will accrue interest from the Interest Payment Date in November 2009 and shall cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2011.

Price Valuation Sensitivity of the Detachable A1 Coupons
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	1.25%	0.90%	0.70%	0.58%	0.49%	0.43%	0.71%
9%	1.23%	0.89%	0.70%	0.58%	0.49%	0.43%	0.70%
10%	1.21%	0.88%	0.69%	0.57%	0.49%	0.43%	0.70%
11%	1.20%	0.87%	0.69%	0.57%	0.49%	0.43%	0.69%
12%	1.18%	0.86%	0.68%	0.56%	0.48%	0.42%	0.69%
13%	1.17%	0.85%	0.68%	0.56%	0.48%	0.42%	0.68%
14%	1.15%	0.85%	0.67%	0.56%	0.48%	0.42%	0.68%
15%	1.14%	0.84%	0.66%	0.55%	0.47%	0.42%	0.67%

Notes:

* Taking the sterling equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Price Valuation Sensitivity of the Detachable A2 Coupons
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	0.67%	0.50%	0.39%	0.32%	0.27%	0.23%	0.31%
9%	0.66%	0.49%	0.39%	0.31%	0.26%	0.22%	0.31%
10%	0.64%	0.49%	0.38%	0.31%	0.26%	0.22%	0.31%
11%	0.63%	0.48%	0.38%	0.31%	0.26%	0.22%	0.30%
12%	0.62%	0.47%	0.37%	0.30%	0.26%	0.22%	0.30%
13%	0.60%	0.46%	0.37%	0.30%	0.25%	0.22%	0.30%
14%	0.59%	0.45%	0.36%	0.30%	0.25%	0.21%	0.29%
15%	0.58%	0.45%	0.36%	0.29%	0.25%	0.21%	0.29%

Notes:

* Taking the sterling equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Price Valuation Sensitivity of the Detachable A3 Coupons
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	2.44%	2.40%	2.24%	2.07%	1.79%	1.57%	1.79%
9%	2.39%	2.34%	2.19%	2.02%	1.76%	1.54%	1.76%
10%	2.33%	2.29%	2.14%	1.98%	1.73%	1.52%	1.73%
11%	2.27%	2.23%	2.10%	1.94%	1.70%	1.49%	1.70%
12%	2.22%	2.18%	2.05%	1.90%	1.67%	1.47%	1.67%
13%	2.17%	2.14%	2.01%	1.86%	1.64%	1.45%	1.64%
14%	2.12%	2.09%	1.97%	1.83%	1.61%	1.43%	1.61%
15%	2.08%	2.04%	1.93%	1.79%	1.58%	1.40%	1.59%

Notes:

* Taking the sterling equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Price Valuation Sensitivity of the Detachable A Coupons
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	4.37%	3.80%	3.34%	2.96%	2.55%	2.23%	2.82%
9%	4.28%	3.72%	3.27%	2.91%	2.52%	2.20%	2.77%
10%	4.19%	3.65%	3.22%	2.86%	2.48%	2.17%	2.73%
11%	4.10%	3.58%	3.16%	2.81%	2.44%	2.14%	2.69%
12%	4.02%	3.52%	3.10%	2.77%	2.41%	2.11%	2.66%
13%	3.94%	3.45%	3.05%	2.72%	2.37%	2.09%	2.62%
14%	3.86%	3.39%	3.00%	2.68%	2.34%	2.06%	2.58%
15%	3.79%	3.33%	2.95%	2.64%	2.31%	2.04%	2.55%

Notes:

* Taking the sterling equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Investors are urged to make their investment decisions based on their own determinations as to expected prepayment rates, defaults and interest rates. Investors should fully consider the risk that realised losses on the mortgages could result in the failure to fully recover their investments. (See "*Risk Factors — Risks Related to the Loans*").

SENSITIVITY OF THE MERCs TO PREPAYMENTS

The yield to an investor in the MERCs will be sensitive to the timing of receipt of prepayments and the overall rate of principal prepayment on the Loans which rate may fluctuate significantly from time to time. An investor in the MERCs should fully consider the associated risks, including the risk that a slowdown in prepayment rates could result in the failure of an investor in the MERCs to fully recover its initial investment.

The tables below indicate the sensitivity of the valuation of the MERCs, and of the MERCs and Detachable A Coupons combined, to various assumptions based upon, amongst other things, the Modelling Assumptions set forth under "*Weighted Average Lives of the Notes*" above.

The tables assume that the Notes are redeemed at their Principal Amount Outstanding on the earlier to occur of (i) the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) is less than 20 per cent. of the initial Principal Amount Outstanding of the Notes (taking the Sterling Equivalent of the U.S.$ Notes and the Euro Notes) and (ii) the Interest Payment Date falling in November 2013 and that the Detachable A Coupons will cease to pay interest on the earlier of the date on which the relevant A Note is redeemed in full and the Interest Payment Date falling in 2011.

For these purposes it has not been necessary to specify or include any assumption relating to the fact that (1) Detachable A1-2009 Coupons, Detachable A2-2009 Coupons and Detachable A3-2009 Coupons will accrue interest from the Initial Issue Date and will cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2009 and (2) Detachable A1-2011 Coupons, Detachable A2-2011 Coupons and Detachable A3-2011 Coupons will accrue interest from the Interest Payment Date in 2009 and shall cease to pay interest on the earlier of the date on which relevant A Notes are redeemed in full and the Interest Payment Date in November 2011.

Price Valuation Sensitivity for the MERCs
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	1.14%	1.65%	2.12%	2.55%	2.95%	3.32%	2.64%
9%	1.12%	1.63%	2.09%	2.52%	2.92%	3.29%	2.61%
10%	1.11%	1.61%	2.07%	2.50%	2.89%	3.25%	2.57%
11%	1.10%	1.59%	2.05%	2.47%	2.86%	3.22%	2.54%
12%	1.08%	1.57%	2.03%	2.44%	2.83%	3.19%	2.51%
13%	1.07%	1.55%	2.00%	2.42%	2.80%	3.16%	2.47%
14%	1.06%	1.54%	1.98%	2.39%	2.78%	3.13%	2.44%
15%	1.05%	1.52%	1.96%	2.37%	2.75%	3.10%	2.41%

Note:

* Taking the sterling Equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Combined Price Valuation Sensitivity for the MERCs and Detachable A Coupons
(as a percentage of initial A Notes Principal Amount Outstanding*)

	CPR						
Pre-Tax Yield	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**15%/ 35%****
8%	5.50%	5.44%	5.45%	5.52%	5.51%	5.55%	5.46%
9%	5.40%	5.35%	5.37%	5.44%	5.44%	5.48%	5.38%
10%	5.30%	5.26%	5.29%	5.36%	5.37%	5.42%	5.30%
11%	5.20%	5.17%	5.21%	5.29%	5.30%	5.36%	5.23%
12%	5.10%	5.09%	5.13%	5.21%	5.24%	5.30%	5.16%
13%	5.01%	5.01%	5.05%	5.14%	5.18%	5.24%	5.09%
14%	4.92%	4.93%	4.98%	5.08%	5.11%	5.19%	5.03%
15%	4.84%	4.85%	4.91%	5.01%	5.05%	5.13%	4.96%

Note:

* Taking the sterling Equivalent of the A1b Notes, the A1c Notes, the A2c Notes and the A3c Notes.

** This relates to a CPR of 15 per cent. for the first 12 months followed by a CPR of 35 per cent. following the first 12 months.

Investors are urged to make their investment decisions based on their own determinations as to expected prepayment rates, defaults and interest rates. Investors should fully consider the risk that realised losses on the mortgages could result in the failure to fully recover their investments. (See "*Risk Factors — Risk Related to the Loans*" in the Prospectus).

THE DEPOSITORY AGREEMENT

General

Each class of Notes (excluding the Detachable A Coupons), each class of the Detachable A Coupons and the MERCs will be represented by a corresponding Reg S Global Instrument and a corresponding Rule 144A Global Instrument (the "**Global Notes**", "**Global Detachable A Coupons**" and "**Global MERCs**" respectively and together, the "**Depository Global Instruments**"). Each class of Global Notes and Global Detachable A Coupons will be issued in bearer form and Global MERCs will be issued in registered form. The Depository Global Instruments, in the case of the Global Notes, will represent the aggregate Principal Amount Outstanding of the Notes, in the case of the Global Detachable A Coupons will represent an aggregate notional principal amount (the "**Coupons Value**") equal to the Principal Amount Outstanding of the relevant A Notes (with the interest payable thereon being in sterling in all cases and in respect of the Detachable A1b Coupons, the Detachable A1c Coupons, the Detachable A2c Coupons and the Detachable A3c Coupons payable at the Sterling Equivalent) and, in the case of the Global MERCs, will represent the aggregate entitlement to the Mortgage Early Redemption Receipts.

The issue of the Notes (including the Detachable A Coupons) and MERCs was authorised by resolution of the Board of Directors of the Issuer passed on 28 June 2006.

The Depository Global Instruments will be deposited on or about the Initial Issue Date with HSBC Bank USA, National Association, as Depository pursuant to the terms of the Depository Agreement. It is anticipated that the Depository will (i) issue certificateless depository interests in respect of each of the Rule 144A Global Instruments to DTC or its nominee and (ii) issue certificated depository interests (each certificateless depository interest and certificated depository interest being a "**CDI**") in respect of each of the Reg S Global Instruments to HSBC Bank plc, as common depositary (the "**Common Depositary**") registered in the nominee name of both Euroclear and Clearstream, in both cases such CDIs representing a 100 per cent. ownership interest in the underlying Global Instruments relating thereto.

Upon confirmation by the Common Depositary that the Depository has custody of the relevant Reg S Global Instrument and acceptance by the Common Depositary of the CDIs, Euroclear or Clearstream, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

Upon confirmation by DTC that the Depository has custody of the relevant Rule 144A Global Instrument, and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representation sent by the Issuer to DTC, it is anticipated that DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable thereto.

For the avoidance of doubt, all references in this section to a "**Book-Entry Interest**" in a Reg S Global Instrument or Rule 144A Global Instrument shall be construed as a reference to a Book-Entry Interest in the CDI attributable thereto.

Book-Entry Interests in respect of the Sterling Notes, the Detachable A1a Coupons and the Detachable A3a Coupons will be recorded in minimum denominations of £50,000 and integral multiples thereof. Book-Entry Interests in respect of the U.S.$ Notes, the Detachable A1b Coupons will be recorded in minimum denominations of U.S.$100,000 and integral multiples thereof. Book-Entry Interests in respect of the Euro Notes, the Detachable A1c Coupons, the Detachable A2c Coupons and the Detachable A3c Coupons will be recorded in minimum denominations of €50,000 and integral multiples thereof. Book-Entry Interests in respect of the MERCs will be recorded in nominal denominations of £50,000 and integral multiples thereof (each, an "**Authorised Denomination**").

Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear, Clearstream or DTC ("**participants**") or persons that hold interests in the Book-Entry Interests through participants

("**indirect participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream or DTC, either directly or indirectly. Indirect participants shall also include persons that hold beneficial interests through such indirect participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream and DTC, as applicable, will credit the participants' accounts with the respective Book-Entry Interests beneficially owned by such participants on each of their respective book-entry registration and transfer systems.

The accounts to be credited shall be designated by the Managers of the Notes, Detachable A Coupons and MERCs. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream or DTC (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their indirect participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Depository Global Instruments underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder, Detachable A Couponholder or MERC Holder (as appropriate) for all purposes under the Trust Deed. Except as set forth below under "*Issuance of Definitive Instruments*", participants or indirect participants will not be entitled to have Notes, Detachable A Coupons or MERCs registered in their names, will not receive or be entitled to receive physical delivery of Notes, Detachable A Coupons or MERCs in definitive bearer or registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and Euroclear, Clearstream or DTC, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes, Detachable A Coupons or MERCs under the Trust Deed. (See "*Action in Respect of the Depository Global Instruments and the Book-Entry Interests*").

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

In the case of the Reg S Global Instruments, unless and until Book-Entry Interests are exchanged for Definitive Instruments, the CDIs held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

In the case of the Rule 144A Global Instruments, unless and until Book-Entry Interests are exchanged for Definitive Instruments, the CDIs held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a class of Notes, Detachable A Coupons or MERCs pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Instruments relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Instrument directly through DTC if they are

participants in such system or indirectly through organisations which are participants in such system. All Book-Entry Interests in the Rule 144A Global Instruments will be subject to the procedures and requirements of DTC. Purchasers of Book-Entry Interests in a class of Notes, Detachable A Coupons or MERCs pursuant to Regulation S will hold Book-Entry Interests in the Reg S Global Instruments relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Instrument directly through Euroclear or Clearstream (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*"), if they are account holders in such systems or indirectly through organisations which are account holders in such systems. After the expiration of the Distribution Compliance Period (as defined below) but not earlier, investors may also hold such Book-Entry Interests through organisations, other than Euroclear or Clearstream, that are participants in the DTC system. Euroclear and Clearstream will hold Book-Entry Interests in each Depository Global Instrument on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream's respective book-entry registration and transfer systems.

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

Payments on Depository Global Instruments

Payment of principal and interest on, and any other amount due in respect of, the Depository Global Instruments will be made in U.S. dollars in respect of the U.S.$ Notes (excluding the Detachable A1b Coupons), Euro (excluding the Detachable A1c Coupons, the Detachable A2c Coupons and the Detachable A3c Coupons) in respect of the Euro Notes, and otherwise, in sterling by the Paying Agent on behalf of the Issuer to the Depository as the holder thereof. It is anticipated that upon receipt of any payment of principal or interest or any other amount in respect of a Depository Global Instrument, the Depository will distribute all such payments in sterling, subject as provided below in "*Exchange Rate Agency Agreement and Denomination of Payments*", to (in the case of the Reg S Global Instruments) the nominee for the Common Depositary and (in the case of the Rule 144A Global Instruments) the nominee for DTC. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, after receipt of any payment from the Depository to the Common Depositary, the respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream. In the case of payments made in dollars (as provided under "*Exchange Rate Agency Agreement and Denomination of Payments*" below), upon receipt of any payment from the Depository, DTC will promptly credit its participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "**street name**", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Trustee or any other agent of the Issuer or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a participant's ownership of Book-Entry Interests.

Exchange Rate Agency Agreement and Denomination of Payments

DTC is unable to accept payments denominated in sterling or Euro in respect of Rule 144A Global Instruments representing Sterling Notes, Euro Notes, C Notes, Detachable A Coupons or MERCs. Accordingly, holders of beneficial interests in such Rule 144A Global Instruments must, in accordance with the Depository Agreement, notify the Depository not less than 15 days prior to each Interest Payment Date (i) that they wish to be paid in sterling or, as appropriate, Euro and (ii) of the relevant bank account details into which such sterling or, as appropriate, Euro payments are to be made.

If such instructions are not received by the Depository, HSBC Bank plc, will, as exchange rate agent (the "**Exchange Rate Agent**") pursuant to an exchange rate agency agreement (the "**Exchange Rate Agency Agreement**") to be entered into among the Exchange Rate Agent, the Depository and the Issuer, exchange the relevant sterling or Euro amounts into dollars at the highest exchange rate quoted by three foreign exchange dealers (which may include the Exchange Rate Agent) in London chosen by the Exchange Rate Agent and approved by the Depository and the relevant holders of beneficial interests in such Rule 144A Global Instruments will receive the dollar equivalent of such sterling or Euro payments converted at such exchange rate. Upon written request by a holder of beneficial interests in such Rule 144A Global Instruments, the Exchange Rate Agent will provide information regarding the exchange rate (and any relevant commission) with respect to any sterling or Euro amounts converted into dollars. The Issuer will agree in the Exchange Rate Agency Agreement to indemnify the Exchange Rate Agent in connection with its activities thereunder.

Information Regarding DTC, Euroclear and Clearstream

DTC, Euroclear and Clearstream have advised the Issuer as follows

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a "**banking organisation**" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code, and a "**clearing agency**" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representative) own DTC. DTC is situated at 55 Water Street, New York, NY 10041-0099.

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws. Both Euroclear and Clearstream act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if either the Issuer or Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream or DTC, as the case may be, would authorise the participants owning the relevant Book-Entry Interests to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

Euroclear is situated at 151 Boulevard Emile Jacqmain, 1220 Brussels, Belgium. Clearstream is situated at 42nd Floor, 1 Canada Square, Canary Wharf, London E14 5DR.

Redemption

In the event that any Global Note is redeemed, it is anticipated that the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depositary, in the case of the Reg S Global Notes, and to the nominee of the DTC, in the case of the Rule 144A Global Notes, and, upon final payment, surrender such Global Note to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note relating thereto.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures established by each respective system and its participants. (See "*The Depository Agreement –General*" above).

Each Rule 144A Global Instrument will bear a legend substantially identical to that appearing under "**Notice to Investors**", and no Rule 144A Global Instrument nor any Book-Entry Interest in such Rule 144A Global Instrument may be transferred except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Instrument of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Instrument of the same class, whether before or after the expiration of the Distribution Compliance Period (as defined below), only upon receipt by the Depository of a written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Until and including the 40th day after the later of the commencement of the offering of the Notes, Detachable A Coupons and MERCs and the Initial Issue Date (the "**Distribution Compliance Period**"), Book-Entry Interests in a Reg S Global Instrument may be held only through Euroclear or Clearstream, unless transfer and delivery is made through the Rule 144A Global Instrument relating thereto. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Instrument of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Instrument of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a "**qualified institutional buyer**" within the meaning of Rule 144A, in each case, in a transaction meeting the

requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Instrument of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Instrument of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Instrument and will become represented by a Book-Entry Interest in such Rule 144A Global Instrument and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Instrument for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Instrument of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Instrument of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Instrument and will become represented by a Book-Entry Interest in such Reg S Global Instrument and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Instrument as long as it remains such a Book-Entry Interest.

A person acquiring a Book-Entry Interest in a Rule 144A Global Instrument shall be deemed to have agreed to be bound by the transfer restrictions applicable to such Instrument and may be requested to agree in writing to be so bound. These transfer restrictions are set forth in "*Notice to Investors*".

Issuance of Definitive Instruments

Holders of Book-Entry Interests in a Rule 144A Depository Global Instrument or Reg S Global Instrument will be entitled to receive Registered Definitive Instruments in exchange for their respective holdings of Book-Entry Interests if (i) (in the case of Rule 144A Global Instruments) DTC is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification or (in the case of Reg S Global Instruments) either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business, (ii) the Depository is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days, (iii) an Enforcement Notice has been given by the Trustee to the Issuer, (iv) the Issuer would suffer a material disadvantage in respect of the Notes or MERCs as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction or payments being made net of tax which would not be suffered were the relevant instruments in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee or (v) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or the United States (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Initial Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes or MERCs which would not be required were the relevant Notes or MERCs in definitive form. Any Registered Definitive Instruments issued in exchange for Book-Entry Interests in a Rule 144A Global Instrument or a Reg S Global Instrument will be registered by a registrar in such name or names as the Depository shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream (in the case of Reg S Global Instruments), as the case may be, or DTC (in the case of Rule 144A Global Instruments). It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC from their participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Instruments issued in exchange for Book-Entry Interests in a Rule 144A Global Instrument or a Reg S Global Instrument, as the case may be, will not be entitled to exchange such Registered Definitive Instrument for Book-Entry Interests in a Reg S Global Instrument or a Rule 144A Global Instrument, as the case may be.

Action in respect of the Depository Global Instruments and the Book-Entry Interests

Not later than 10 days after receipt by the Depository of any notices in respect of the Depository Global Instruments or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Depository Global Instruments or holders of Book-Entry Interests, the Depository will deliver to Euroclear, Clearstream and DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear, Clearstream and DTC will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Depository Global Instruments and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear, Clearstream and DTC, as applicable, the Depository shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Depository Global Instruments in accordance with any instructions set forth in such request. Euroclear, Clearstream or DTC are expected to follow the procedures described under "General" above with respect to soliciting instructions from their respective participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Depository Global Instruments.

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to Euroclear, Clearstream and DTC a copy of any notices, reports and other communications received relating to the Issuer, the Depository Global Instruments or the Book-Entry Interests. All notices regarding the Depository Global Instruments will be sent to Euroclear, Clearstream, DTC and the Depository. In addition, notices regarding the Notes and MERCs may be given to Noteholders in any manner deemed acceptable by the Trustee provided that for so long as the Notes are listed on the Irish Stock Exchange, such notice shall be in accordance with the rules of the Irish Stock Exchange.

Action by Depository

Upon the occurrence of an Event of Default with respect to the Depository Global Instruments, or in connection with any other right of the holder of the Depository Global Instruments under the Trust Deed or the Depository Agreement, if requested in writing by DTC, Euroclear or Clearstream, as applicable, (acting on the instructions of their respective participants in accordance with their respective procedures) the Depository will take any such action as shall be requested in such notice, subject to, if required by the Depository, such reasonable security or indemnity from the participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository

The Issuer has agreed to pay all charges of the Depository under the Depository Agreement. The Issuer has also agreed to indemnify the Depository against certain liabilities incurred by it under the Depository Agreement.

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Trustee. The consent of Euroclear, Clearstream and DTC shall not be required in connection with any amendment made to the Depository Agreement: (i) to cure any inconsistency, omission, defect or ambiguity in such Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuer; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act, or the United States Investment Company Act of 1940, as amended; or (v) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to Euroclear, Clearstream and DTC or the holders of Book-Entry Interests. Except as set forth above, no amendment that adversely affects Euroclear, Clearstream or DTC or the holders of the Book-Entry interests may be made to the Depository Agreement or the Book-Entry Interests without the consent of Euroclear, Clearstream or DTC.

Upon the issuance of Definitive Instruments, the Depository Agreement will terminate. The Depository Agreement may be terminated upon the resignation of the Depository if no successor has been appointed within 90 days as set forth under "*Resignation or Removal of Depository*" below.

Resignation or Removal of Depository

The Depository may at any time resign as Depository upon 60 days' written notice delivered to each of the Issuer and the Trustee. The Issuer may remove the Depository at any time upon 90 days' written notice delivered to the Depository. No resignation or removal of the Depository and no appointment of a successor Depository shall become effective until (i) the acceptance of appointment by the successor Depository or (ii) the issue of Definitive Instruments.

Obligation of Depository

The Depository will assume no obligation or liability under the Depository Agreement other than to use good faith and reasonable care in the performance of its duties under such agreement.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "***Conditions***") which (subject to amendment and completion) will be endorsed or attached on each Global Note and each Definitive Note (if applicable) and (subject to the provisions thereof) will apply to each such Note.*

The Notes of Residential Mortgage Securities 22 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") to be dated 7 July 2006 (the "**Initial Issue Date**") between the Issuer and Capita Trust Company Limited (the "**Trustee**"), which expression includes the trustee or trustees for the time being under the Trust Deed, as trustee for the Noteholders and Detachable A Couponholders (as defined below). The Issuer and Trustee, *inter alios*, have entered into a master securitisation agreement (the "**Master Securitisation Agreement**") to be dated on or about the Initial Issue Date the schedules to which contain some of the Documents as described below. The Notes will have the benefit of (to the extent applicable) a paying agency agreement as set out in the Master Securitisation Agreement and Schedule 1 thereto (together "**Paying Agency Agreement**"), as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc, as principal paying agent (the "**Principal Paying Agent**") and as agent bank (the "**Agent Bank**") and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**").

The Notes will also have the benefit of (to the extent applicable) a depository agreement (the "**Depository Agreement**") dated on or about the Initial Issue Date, as amended or supplemented from time to time, between the Issuer, the Trustee and HSBC Bank USA, National Association as depository (the "**Depository**").

In these Conditions, all references to "**Registrar**", "**Paying Agent**" and "**Transfer Agent**" shall mean any registrar, transfer or additional paying agents appointed from time to time in accordance with the Paying Agency Agreement and other Documents (which as at the Initial Issue Date shall be HSBC Bank plc) and shall include any successors thereto or to the Principal Paying Agent appointed from time to time in accordance with the Paying Agency Agreement and any reference to an "**Agent**" or "**Agents**" shall mean any or all (as applicable) of the above persons.

In these Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the master definitions schedule dated on or about the Initial Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and a deed of charge and assignment (the "**Deed of Charge**") dated on or about the Initial Issue Date between, *inter alios*, the Issuer and the Trustee. Copies of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and the Deed of Charge are available for inspection during usual business hours at the principal office of the Trustee at Phoenix House, 18 King William Street, London EC4N 7HE and at the specified office of the Principal Paying Agent. The holders of the A1a Notes, the A1b Notes and the A1c Notes (the "**A1a Noteholders**", the "**A1b Noteholders**" and the "**A1c Noteholders**", respectively, and together the "**A1 Noteholders**"), the holders of the A2c Notes (the "**A2c Noteholders**" or the "**A2 Noteholders**", the holders of the A3a Notes and the A3c Notes (the "**A3a Noteholders**", and the "**A3c Noteholders**", respectively, and together the "**A3 Noteholders**" and the A1 Noteholders, the A2 Noteholders and the A3 Noteholders being together, the "**A Noteholders**"), the holders of the M1a Notes and the M1c Notes (the "**M1a Noteholders**" and the "**M1c Noteholders**" respectively, and together the "**M1 Noteholders**"), the holders of the M2a Notes and the M2c Notes (the "**M2a Noteholders**" and the "**M2c Noteholders**", respectively and together, the "**M2 Noteholders**" and the M1 Noteholders and the M2 Noteholders being together, the "**M Noteholders**"), the holders of the B1a Notes and the B1c Notes (the "**B1a Noteholders**" and the "**B1c Noteholders**", respectively, and, together the "**B1 Noteholders**"), the holders of the B2 Notes (the "**B2 Noteholders**") and the B1 Noteholders and the B2 Noteholders being together, the "**B Noteholders**") and the holders of the C Notes (the "**C Noteholders**" and, together with the A Noteholders, M Noteholders and B Noteholders, the "**Noteholders**" and each, a "**Noteholder**") and the

Detachable A Couponholders (as defined below) are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and the Deed of Charge.

1 Form, Denomination and Title

(a) *A Notes*

The Principal Amount Outstanding (as defined in Condition 5(d)), and the interest element constituted by the Ordinary A Coupons in respect of each class of A Notes initially offered and sold outside the United States to non-U.S. persons (as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**")) pursuant to Regulation S (together the "**Reg S Class A Notes**") will be represented by a corresponding global note in bearer form (together the "**Reg S Global A Notes**").

The interest element constituted by a separate coupon for each Reg S Class A Note will be represented by a corresponding global coupon in bearer form (together the "**Reg S Global Detachable A Coupons**". The separate coupon for each A Note comprises "**Detachable A1a-2009 Coupons**" and "**Detachable A1a-2011 Coupons**" (respectively, and together, the "**Detachable A1a Coupons**") for the A1a Notes, "**Detachable A1b-2009 Coupons**" and "**Detachable A1b-2011 Coupons**" (respectively, and together, the "**Detachable A1b Coupons**") for the A1b Notes, "**Detachable A1c-2009 Coupons**" and "**Detachable A1c-2011 Coupons**" (respectively, and together, the "**Detachable A1c Coupons**" together with the Detachable A1a Coupons and the Detachable A1b Coupons, the "**Detachable A1 Coupons**"), "**Detachable A2c-2009 Coupons**" and "**Detachable A2c-2011 Coupons**" (respectively, and together, the "**Detachable A2c Coupons**") for the A2c Notes, the Detachable A2c Coupons, together, the "**Detachable A2 Coupons**" "**Detachable A3a-2009 Coupons**" and "**Detachable A3a-2011 Coupons**" (respectively, and together, the "**Detachable A3a Coupons**") for the A3a Notes and "**Detachable A3c-2009 Coupons**" and "**Detachable A3c-2011 Coupons**" (respectively, and together, the "**Detachable A3c Coupons**") for the A3c Notes, (the Detachable A3a Coupons and the Detachable A3c Coupons, together, the "**Detachable A3 Coupons**" and the Detachable A1 Coupons, the Detachable A2 Coupons and the Detachable A3 Coupons, together, the "**Detachable A Coupons**").

The Principal Amount Outstanding, and the interest element constituted by the Ordinary A Coupons in respect of each class of A Notes initially offered and sold within the United States to "**qualified institutional buyers**" (as defined in Rule 144A ("**Rule 144A**") under the Securities Act), in reliance on Rule 144A (together, the "**Rule 144A Class A Notes**") will be represented by a corresponding global note in bearer form (together, the "**Rule 144A Global A Notes**" and, the Rule 144A Global A Notes together with the Reg S Global A Notes, the "**Global A Notes**"), in each case without coupons ("**Coupons**") attached (or in the case of Definitive Notes, with Coupons attached (the holders of which being the "**Detachable A1a Couponholders**", "**Detachable A1b Couponholders**", "**Detachable A1c Couponholders**", "**Detachable A2c Couponholders**", **Detachable A3a Couponholders**" and "**Detachable A3c Couponholders**" respectively, and together the "**Detachable A Couponholders**". The interest element constituted by each of the Detachable A Coupons attributable to corresponding classes of Rule 144A Class A Notes will be represented by a corresponding global coupon in bearer form (together, in the case the A Notes, the "**Rule 144A Global Detachable A Coupons**" and, the Rule 144A Global Detachable A Coupons, together with the Reg S Global Detachable A Coupons, the "**Global Detachable A Coupons**").

The Global A Notes, in aggregate, will represent the aggregate Principal Amount Outstanding of all the corresponding A Notes and the interest element of the corresponding A Notes constituted by the Ordinary A Coupons.

In the event that the Detachable A Coupons is at any time detached from a Note, the Detachable A Coupons shall have a notional nominal value equal to the Principal Amount Outstanding, from time to time, of the Note from which that coupon was detached ("**Coupon Value**") though interest on any Detachable A1b Coupons, Detachable A1c Coupons, Detachable A2c Coupons or Detachable A3c Coupons will be payable in sterling on the sterling equivalent calculated at the Exchange Rate (the "**Sterling Equivalent**") of the Principal Amount Outstanding of the relevant A1b Notes, A1c Notes, A2c Notes or A3c Notes (as applicable).

(b) *Coupons Stripping*

Global Detachable A Coupons (or part thereof) may be detached from a Global A Note at any time by crediting to the DTC, Euroclear or Clearstream account (as the case may be) of the purchaser or purchasers of the Global Detachable A Coupons the purchase price of such Global Detachable A Coupons ("**Coupons Stripping**"). Any Coupons Stripping shall be recorded by DTC, Euroclear or Clearstream on the relevant Global A Notes. Once detached from the relevant Global A Notes, the Global Detachable A Coupons, comprising the Reg S Global Detachable A Coupons and the Rule 144A Global Detachable A Coupons will be subject to the same restrictions on transferability as the related Global A Notes.

Although following Coupons Stripping there is no prohibition on the same person holding both Detachable A Coupons and A Notes, there is no facility for re-attaching the Detachable A Coupons to the A Notes to which they were initially attached.

(c) *M Notes, B Notes and C Notes*

The M Notes, B Notes and C Notes initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S (the "**Reg S Class M Notes**", the "**Reg S Class B Notes**" and the "**Reg S Class C Notes**", respectively and, together with the Reg S Class A Notes, the "**Reg S Notes**") under the Securities Act will each be represented by a global note for each class in bearer form (a "**Reg S Global M Note**", a "**Reg S Global B Note**" and a "**Reg S Global C Note**", respectively and, together with the Reg S Global A Note, the "**Reg S Global Notes**" and each a "**Reg S Global Note**").

The M Notes, B Notes and C Notes initially offered and sold within the United States to "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act), in reliance on Rule 144A, save that the C Notes shall not be offered and sold within the United States to qualified institutional buyers during the Prefunded Loan Period, (the "**Rule 144A Class M Notes**", the "**Rule 144A Class B Notes**" and the "**Rule 144A Class C Notes**", respectively and, together with the Rule 144A Class A Notes, the "**Rule 144A Notes**") will each be represented by a global note for each class in bearer form (a "**Rule 144A Global M Note**", a "**Rule 144A Global B Note**" and a "**Rule 144A Global C Note**", respectively and, together with the Rule 144A Global A Note, the "**Rule 144A Global Notes**" and each a "**Rule 144A Global Note**" and, together with the Reg S Global Notes, the "**Global Notes**"), in each case without coupons attached. The Global Notes (excluding the Global A Notes), in aggregate, will represent the aggregate principal amount of the outstanding M Notes, B Notes and C Notes.

(d) *C Notes*

The C Notes will be issued partly paid. On each Prefunded Loan Purchase Date, the Issuer may call for and the C Noteholder shall be obliged to make a further payment on the C Notes (the "**C Note Payment**"). A notification will be made jointly by the Special Servicer and the Issuer to the Principal Paying Agent of the relevant C Note Payment and the nominated account of the Issuer to which such amount is to be credited. On the instructions of the Principal Paying Agent, Euroclear or Clearstream (as the case may be) will note in manuscript the increase in the aggregate Principal Amount Outstanding of the relevant C Note Payment, *pro rata*, on the C Notes.

Upon the expiry of the Prefunded Loan Purchase Date, the C Note Principal Amount Outstanding (as defined in Condition 5(d)) of each C Note will be shown in manuscript on such C Note.

(e) *Issuance of Definitive Notes*

If Notes in definitive form are issued pursuant to Condition 13, definitive Notes in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 5(d)) of the relevant Reg S Global Note ("**Reg S Definitive Notes**") and Rule 144A Global Note ("**Rule 144A Definitive Notes**" and, together with the Reg S Definitive Notes, the "**Definitive Notes**") will be issued in registered form, serially numbered and in Authorised Denominations.

(f) *Title to Global Notes and Definitive Notes*

Title to the Global Notes of each class and the Global Detachable A Coupons will pass by delivery, save that title to the C Notes may not be transferred during the Prefunded Loan Period. Title to the Definitive Notes of each class will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**"). Any Noteholder of any Global Note or Definitive Note shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note or Definitive Note, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than, in the case of a Definitive Note, a duly executed transfer of such Note in the form endorsed thereon.

(g) *Transfers of Global Notes and Definitive Notes*

Transfers and exchanges of beneficial interests in the Rule 144A Global Notes and of the Rule 144A Detachable A Coupons of the same class will be effected subject to and in accordance with the detailed provisions of the Depository Agreement. All transfers of Definitive Notes and entries on the Register in the case of any Definitive Notes will be made subject to any restrictions or transfers set forth on such Definitive Notes and the detailed regulations concerning transfers of such Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Definitive Note who so requests.

A Definitive Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the relevant Definitive Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance remaining will be issued to the transferor provided that neither the part transferred nor the balance remaining may be less than an Authorised Denomination.

Each new Definitive Note to be issued upon transfer of Definitive Notes will, within 5 business days (in the place of the specified office of the Registrar) of receipt of such request for transfer, be available for delivery at the specified office of the Registrar stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Note to such address as may be specified in such request.

Registration of Definitive Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

No Definitive Noteholder may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

(h) *Denomination*

The U.S.$ Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples thereof. The Sterling Notes will be issued in minimum denominations of £50,000 and integral multiples thereof. The Euro Notes will be issued in minimum denominations of €50,000 and integral multiples thereof.

(i) *Redenomination*

Following redenomination of the Notes (the "**Redenominated Notes**") pursuant to Condition 18 (European Economic and Monetary Union):

(i) if the Redenomination Notes are required to be issued in definitive form, they shall be issued at the expense of the Issuer in the denominations of Euro 0.01, Euro 1,000, Euro 10,000, Euro 100,000 and such other denominations as the Issuer, with the consent of the Trustee, shall determine and notify to the Noteholders;

(ii) the amount of interest due in respect of the Redenominated Notes represented by the Global Notes of each class and the Global Detachable A Coupons will be calculated by reference to the aggregate principal amount of such Notes, Detachable A Coupons and the amount of such payment shall be rounded down to the nearest Euro 0.01; and

(iii) for the purposes of this paragraph, "**Euro**" means the single currency to be introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

(j) *Application of Funds*

On each Interest Payment Date the Issuer shall apply Available Revenue Funds (as defined below) in or towards satisfaction of amounts in the order of the priority of payments set out below (the "**Priority of Payments**").

2 Status, Security and Administration

(a) *Status and relationship between classes of Notes*

(i) Each class of A Notes, M1 Notes, M2 Notes, B1 Notes, B2 Notes and C Notes, the Detachable A Coupons and the Coupons of each class constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst Notes of the same class, subject always to (i) differing rates of interest being applicable to each class of A Notes and to distributions of principal on the A Notes prior to enforcement of the Security when the A Notes will rank in priority to the M Notes, B Notes and C Notes but *pari passu* without preference or priority amongst themselves as regards interest and principal and the M1 Notes will rank in priority to the M2 Notes, B Notes and C Notes but *pari passu* without preference or priority amongst themselves as regards interest and principal, and the M2 Notes will rank in priority to the B Notes and C Notes but *pari passu* without reference or priority amongst themselves as regards interest and principal, and the B1 Notes will rank in priority to the B2 Notes and the C Notes but *pari passu* without preference or priority amongst themselves as regards interest and principal, and the B2 Notes will rank in priority to the C Notes but *pari passu* without reference or priority amongst themselves as regards interest and principal and (ii) *pro rata* redemption of the A Notes, M Notes and B Notes in certain circumstances prior to enforcement of the Security as set out in Condition 5(b).

(ii) In accordance with the provisions of this Condition 2 but subject always to the provisions of Condition 5(b), the Trust Deed and the Deed of Charge, (aa) payments of principal and interest

on the C Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes (including for the avoidance of doubt, the Detachable A Coupons), the M Notes and the B Notes, (bb) payments of principal and interest on the B2 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes (including for the avoidance of doubt, the Detachable A Coupons), the M Notes and the B1 Notes, (cc) payments of principal and interest on the B1 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes (including for the avoidance of doubt, the Detachable A Coupons) and the M Notes, (dd) payments of principal and interest on the M2 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes (including for the avoidance of doubt, the Detachable A Coupons) and the M1 Notes, and (ee) payments of principal and interest on the M1 Notes are subordinated to, *inter alia*, payments of principal and interest on the A Notes (including for the avoidance of doubt, the Detachable A Coupons). The A Notes will rank *pari passu* without preference or priority amongst themselves for all purposes. The M1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes. The M2 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes. The B1 Notes will rank *pari passu* without preference or priority amongst themselves for all purposes.

(iii) The Notes are constituted by the Trust Deed and are secured by the same security, but the A Notes will rank in priority to the M Notes, the B Notes and the C Notes in point of security; the M1 Notes will rank in priority to the M2 Notes, the B Notes and the C Notes in point of security; the M2 Notes will rank in priority to the B Notes and the C Notes in point of security; the B1 Notes will rank in priority to the B2 Notes and the C Notes in point of security; and the B2 Notes will rank in priority to the C Notes in point of security pursuant to the Deed of Charge (the "**Security**"). The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the A Noteholders (including, for the avoidance of doubt, in certain circumstances, the Detachable A Couponholders), the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and the interests of the M1 Noteholders and/or the M2 Noteholders and/or the B1 Noteholders and/or the B2 Noteholders and/or the C Noteholders; to have regard only to the interests of the M1 Noteholders if all of the A Notes have been redeemed in full and if, in the Trustee's opinion, there is a conflict between the interests of the M1 Noteholders and the interests of the M2 Noteholders and/or the B1 Noteholders and/or the B2 Noteholders and/or the C Noteholders; to have regard only to the interests of the M2 Noteholders if all of the A Notes and the M1 Notes have been redeemed in full, and if, in the Trustee's opinion, there is a conflict between the interests of the M2 Noteholders and the interests of the B1 Noteholders and/or the B2 Noteholders and/or the C Noteholders; to have regard only to the interests of the B1 Noteholders if all of the A Notes and M Notes have been redeemed in full, and if, in the Trustees opinion, there is a conflict between the interests of the B1 Noteholders and the interests of the B2 Noteholders and/or the C Noteholders; to have regard only to the interests of the B2 Noteholders, if all the A Notes, M Notes and B1 Notes have been redeemed in full, and if, in the Trustee's opinion, there is a conflict between the interests of the B2 Noteholders and the interests of the C Noteholders; to have regard only to the interests of the C Noteholders if all the A Notes, the M Notes, B1 Notes and B2 Notes have been redeemed in full; and in certain cases to have regard only to the interests of the A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the A Noteholders and the Detachable A Couponholders.

(iv) The Trust Deed contains provisions limiting the powers of the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the A Noteholders or the Detachable A Couponholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

(v) The Trust Deed contains provisions limiting the powers of the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolutions (as defined in the Trust Deed) according to the effect thereof on the interests of the M1 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the M1 Noteholders, the exercise of which will be binding on the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders irrespective of the effect thereof on their interests.

(vi) The Trust Deed contains provisions limiting the powers of the B1 Noteholders, the B2 Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the M2 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the M2 Noteholders, the exercise of which will be binding on the B1 Noteholders, the B2 Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

(vii) The Trust Deed contains provisions limiting the powers of the B2 Noteholders and the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the B1 Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the B1 Noteholders, the exercise of which will be binding on the B2 Noteholders and the C Noteholders, irrespective of the effect thereof on their interests.

(viii) The Trust Deed contains provisions limiting the powers of the C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the B Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the B Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect thereof on their interests.

(ix) The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons having the benefit of the security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

(x) The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the Noteholders equally as a single class as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding if, in the Trustee's opinion, there is a conflict between the interests of the holders of such class and any other class of Notes then outstanding.

So long as any of the Notes remain outstanding, in the exercise of its rights, authorities and discretions under the Trust Documents, the Trustee is not required to have regard to the interests of the other Secured Creditors.

(xi) The Trust Deed contains provisions limiting the powers of the holders of the lower-ranking classes of Notes, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the holders of the Most Senior Class of Notes. Except in certain circumstances, the Trust Documents contain no such limitation on the powers of the holders of the Most Senior Class of Notes by reference to the effect thereof on the interests of the holders of the other classes of Notes outstanding, the exercise of which will be binding on all such holders, irrespective of the effect thereof on their interests.

(xii) In determining whether the exercise of any right, power, trust, authority, duty or discretion by it under or in relation to the Conditions and/or any of the Transaction Documents is materially prejudicial to the interests of the Noteholders (or any class thereof), the Trustee may take into account, if available, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, confirmation from the Rating Agencies that the Ratings Test will be satisfied. For the avoidance of doubt, such confirmation or the absence of such confirmation shall, however, not of itself be construed to mean that any such exercise (or contemplated exercise) by the Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Conditions or any of the Transaction Documents is not materially prejudicial to the interest of holders of that class of Notes.

(b) *Security*

As security for the payment of all moneys payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Mortgage Administrator under the Mortgage Administration Agreement, KML acting as the Cash/Bond Administrator under the Cash/Bond Administration Agreement and Special Servicer in respect of the Mortgages under the Special Servicer Agreement, the Fixed Rate Swap Counterparties under the Fixed Rate Swap Agreements, the Basis Swap Counterparty under the Basis Swap Agreement, the Currency Swap Counterparty under the Currency Swap Agreements, the Cap Counterparty under the Interest Rate Cap Agreement, HSBC Bank plc as the Principal Paying Agent, Agent Bank, Registrar and Transfer Agent under the Paying Agency Agreement and Exchange Rate Agent under the Exchange Rate Agency Agreement, respectively, HSBC Bank USA, National Association, as Depository under the Depository Agreement, Barclays as the Liquidity Facility Provider, Account Bank and GIC Provider under the Liquidity Facility Agreement, the Bank Agreement and the Guaranteed Investment Contract respectively, the Standby Servicer under the Standby Servicer Agreement, the Standby Cash/Bond Administrator under the Standby Cash/Bond Administration Agreement and the Paying Agents under the Paying Agency Agreement, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

(i) first fixed equitable charges and security in favour of the Trustee over the Issuer's present and future right, title, benefit and interest in, to and under the Loans, the Mortgages and certain other collateral security relating to the Loans (such collateral security, the "**Collateral Security**");

(ii) an equitable assignment in favour of the Trustee of the Issuer's interests in the Insurance Contracts to the extent that they relate to the Loans;

(iii) an assignment in favour of the Trustee of the Issuer's right, title, interest and benefit in, to and under the Master Securitisation Agreement, the Mortgage Administration Agreement, the Special Servicer Agreement, the Cash/Bond Administration Agreement, the DACS/RMS 22 Mortgage Sale Agreement, the Guaranteed Investment Contract, the Fixed Rate Swap Agreements, the Interest Rate Cap Agreement, the Basis Swap Agreement, the Currency Swap Agreements (including the Issuer's rights, title, interest and benefit in, to and under any guarantee, credit support document or credit support annex entered into pursuant to the Fixed Rate Swap Agreements, the Interest Rate Cap Agreement, the Basis Swap Agreement and the Currency Swap Agreements), the Bank Agreement, the Liquidity Facility Agreement, the Collection Accounts Declarations of Trust, the Paying Agency Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, the Deed of Charge, the Standby Servicer Agreement and the Standby Cash/Bond Administration Agreement (the "**Charged Obligation Documents**");

(iv) a first fixed charge in favour of the Trustee over the Issuer's interest in the Bank Accounts and any Authorised Investments; and

(v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer (and extending to all of the Issuer's Scottish assets, including those covered by the fixed security).

(c) *Priority of Payments Prior to Enforcement*

Prior to enforcement of the Security, the Issuer is required to apply moneys available for distribution ("**Available Revenue Funds**" which for the avoidance of doubt includes interest earned pursuant to the Guaranteed Investment Contract and on the Authorised Investments, amounts standing to the credit of the GIC Account and the Reserve Fund, any Fixed Rate/Discount Collateral Release Amounts, any swap termination payments received from the Hedging Providers under the Hedging Agreements (the "**Swap Termination Amounts**") and any other payments received under the Hedging Agreements but does not include any principal received in respect of any Loan) on each Interest Payment Date in accordance with the Priority of Payments (after making payments of certain moneys which properly belong to third parties, including any Excess Swap Collateral payable to the relevant Hedging Provider or owing to DACS 22 as Accrued Interest and Insurance Commissions and an amount equal to Mortgage Early Redemption Receipts in respect of Mortgages which have been redeemed) provided always that any Swap Termination Amounts shall first be applied towards payments due to any replacement hedging providers and shall only be applied in accordance with the following priority, after a replacement hedging agreement has been entered into to the extent that those termination amounts are not required to be paid to a replacement hedging provider in respect of a replacement hedging agreement:

(i) first, to pay *pro rata* when due the remuneration payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it under the provisions of or in connection with the Trust Deed or the Deed of Charge or either or both of them together or any other documents entered into by the Trustee in its capacity as trustee under the Trust Deed or the Deed of Charge or either or both of them with interest as provided in the Trust Deed or the Deed of Charge or either or both of them;

(ii) second, to pay *pro rata* when due (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Interest Payment Date and prior to the next Interest Payment

Date and to provide for the Issuer's liability or possible liability for corporation tax and (b) an amount equal to any premia in respect of Insurance Contracts;

(iii) third, to pay *pro rata*:

(a) (except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Initial Issue Date) the mortgage administration fee (inclusive of value added tax, if any), payable under Clause 8.1 of the Mortgage Administration Agreement, such fee being up to a maximum of the product of 0.25 per cent. and the average of the aggregate Balances of the Loans on the first day of each calendar month during the Interest Period ending on such Interest Payment Date divided by four together with costs and expenses incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement;

(b) the special servicer fee (inclusive of value added tax, if any), payable under Clause 9 of the Special Servicer Agreement to the Special Servicer, such fee being up to a maximum of the product of 0.03 per cent. and the aggregate Principal Amount Outstanding of all the A Notes, M Notes and B Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Special Servicer in accordance with the Special Servicer Agreement;

(c) the cash/bond administration fee (inclusive of value added tax, if any), payable under Clause 10 of the Cash/Bond Administration Agreement to the Cash/Bond Administrator such fee being up to a maximum of the product of 0.02 per cent. and the aggregate Principal Amount Outstanding of all the A Notes, M Notes and B Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) on the first day of each Interest Period immediately preceding the said Interest Payment Date divided by four in respect of each full Interest Period together with costs and expenses incurred by the Cash/Bond Administrator in accordance with the Cash/Bond Administration Agreement;

(d) the standby servicer fee of £500 per annum or such lesser amount as agreed between the Standby Servicer and the Issuer payable pursuant to the Standby Servicer Agreement to the Standby Servicer together with costs and expenses incurred by the Standby Servicer in accordance with the Standby Servicer Agreement;

(e) the standby cash/bond administration fee of £5,000 per annum (plus value added tax, if any) payable under the Standby Cash/Bond Administration Agreement to the Standby Cash/Bond Administrator; and

(f) amounts due to the Paying Agents and Agent Bank under the Paying Agency Agreement, the Account Bank under the Bank Agreement, the GIC Provider under the Guaranteed Investment Contract, the Depository under the Depository Agreement and the Exchange Rate Agent under the Exchange Rate Agency Agreement;

(iv) fourth, (by crediting the Liquidity Ledger) amounts (if any) payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement other than in respect of any amount drawn from the Liquidity Ledger on that Interest Payment Date (and therefore forming part of the Available Revenue Funds for that Interest Payment Date);

(v) fifth, to pay *pro rata*:

(a) amounts of interest payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders and the Detachable A Couponholders);

(b) amounts payable (if any) to the Basis Swap Counterparty pursuant to the Basis Swap Agreement other than Hedge Subordinated Amounts;

(c) amounts payable (if any) to each Fixed Rate Swap Counterparty pursuant to the Fixed Rate Swap Agreements other than Hedge Subordinated Amounts; and

(d) amounts payable (if any) to the Currency Swap Counterparty in respect of notional interest and any termination payments pursuant to the A1b Note Currency Swap Agreement, the A1c Note Currency Swap Agreement, the A2c Note Currency Swap Agreement and the A3c Note Currency Swap Agreement (such amounts to be paid *pro rata* according to the respective entitlements of the Currency Swap Counterparty under the A1b Note Currency Swap Agreement, the A1c Note Currency Swap Agreement, the A2c Note Currency Swap Agreement and the A3c Note Currency Swap Agreement) other than Hedge Subordinated Amounts;

(vi) sixth, amounts to be credited to the A Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Ledger has reached zero;

(vii) seventh, to pay *pro rata*:

(a) amounts of interest in respect of the M1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M1 Noteholders); and

(b) amounts payable (if any) to the Currency Swap Counterparty in respect of notional interest and any termination payments pursuant to the M1c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(viii) eighth, amounts to be credited to the M1 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M1 Principal Deficiency Ledger has reached zero;

(ix) ninth, to pay *pro rata*:

(a) amounts of interest in respect of the M2 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the M2 Noteholders); and

(b) amounts payable (if any) to the Currency Swap Counterparty in respect of notional interest and any termination payments pursuant to the M2c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(x) tenth, amounts to be credited to the M2 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the M2 Principal Deficiency Ledger has reached zero;

(xi) eleventh, to pay *pro rata*:

(a) amounts of interest in respect of the B1 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B1 Noteholders); and

(b) amounts payable (if any) to the Currency Swap Counterparty in respect of notional interest and any termination payments pursuant to the B1c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(xii) twelfth, amounts to be credited to the B1 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the B1 Principal Deficiency Ledger has reached zero;

(xiii) thirteenth, amounts of interest in respect of the B2 Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B2 Noteholders); and

(xiv) fourteenth, amounts to be credited to the B2 Principal Deficiency Ledger (such amounts to be applied in redemption of the Notes in accordance with Condition 5) until the balance of the B2 Principal Deficiency Ledger has reached zero;

(xv) fifteenth, amounts to be credited to the Reserve Ledger, until the balance of the Reserve Fund reaches the Reserve Fund Required Amount;

(xvi) sixteenth, to pay *pari passu* amounts of interest payable, in respect of Principal Level A, Principal Level B and Principal Level C of the C Notes;

(xvii) seventeenth, firstly in redeeming Principal Level A, then Principal Level B and then Principal Level C of the C Notes;

(xviii) eighteenth, to pay amounts due and payable *pro rata* to each Hedging Provider in respect of any Hedge Subordinated Amounts;

(xix) nineteenth, to pay to DACS 22 as deferred consideration under the DACS/RMS 22 Mortgage Sale Agreement, the Residual Revenue (if any); and

(xx) twentieth, to pay the surplus (if any) to the Issuer.

All amounts received on each Interest Payment Date (other than in respect of amounts exchanged in respect of any Actual Redemption Funds and any Swap Termination Amounts) from the Currency Swap Counterparty by the Issuer under the terms of: (i) the A1b Note Currency Swap Agreement shall be paid to the A1b Noteholders; (ii) the A1c Note Currency Swap Agreement shall be paid to the A1c Noteholders; (iii) the A2c Note Currency Swap Agreement shall be paid to the A2c Noteholders; (iv) the A3c Note Currency Swap Agreement shall be paid to the A3c Noteholders; (v) the M1c Note Currency Swap Agreement shall be paid to the M1c Noteholders; (vi) the M2c Note Currency Swap Agreement shall be paid to the M2c Noteholders; and (vii) the B1c Note Currency Swap Agreement shall be paid to the B1c Noteholders; and in each case towards satisfaction of the Issuer's interest payment obligations under the A1b Notes, the A1c Notes, the A2c Notes, the A3c Notes, the M1c Notes, the M2c Notes and the B1c Notes respectively on such Interest Payment Date.

In the event that any payment is to be made from the Available Revenue Funds by the Issuer under this Condition and the Available Revenue Funds are not denominated in the relevant currency in which such payment is to be made, to the extent the relevant Currency Swap Agreement is not in place, the Issuer shall convert the relevant amounts comprised in the Available Revenue Funds to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

(d) *Priority of Payments Post-Enforcement*

After the Trustee has given notice to the Issuer pursuant to Condition 9(a) declaring the Notes to be due and repayable, the Trustee shall, to the extent that such funds are available, use funds standing to the credit of the Bank Accounts, (after making payments of certain moneys which properly belong to third parties, including any Excess Swap Collateral payable to the relevant Hedging Provider or owing to DACS 22 as Accrued Interest and Insurance Commissions) other than amounts credited to the

MERR Ledger, to make payments in the following order of priority pursuant to, in accordance with and as set out more fully in the Deed of Charge:

(i) first, to pay, *pro rata*, any remuneration then due to any receiver and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by such receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus value added tax, if any);

(ii) second, to pay, *pro rata*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Cash/Bond Administrator, the Standby Cash/Bond Administrator, the Special Servicer, the Standby Servicer, the Paying Agents, the Agent Bank, the Account Bank, the GIC Provider, the Depository and the Exchange Rate Agent;

(iii) third, to pay all amounts due to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;

(iv) fourth, to pay, *pro rata*:

  (a) all amounts of interest then due and payable in respect of the A Notes (*pro rata* according to the respective interest entitlements of the A Noteholders and Detachable A Couponholders) in accordance with Condition 4;

  (b) all amounts of principal due thereon until redemption in full of the A Notes (*pro rata* according to the respective entitlements of the A Noteholders);

  (c) amounts (if any) payable to the Basis Swap Counterparty pursuant to the Basis Swap Agreement other than Hedge Subordinated Amounts;

  (d) amounts (if any) payable to the Fixed Rate Swap Counterparties pursuant to the Fixed Rate Swap Agreements other than Hedge Subordinated Amounts; and

  (e) amounts (if any) payable to the Currency Swap Counterparty pursuant to the A1b Note Currency Swap Agreement, the A1c Note Currency Swap Agreement, the A2c Note Currency Swap Agreement and the A3c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(v) fifth, to pay *pro rata*:

  (a) all amounts of interest then due and payable in respect of the M1 Notes (*pro rata* according to the respective interest entitlements of the M1 Noteholders) in accordance with Condition 4;

  (b) all amounts of principal due thereon until redemption in full of the M1 Notes (*pro rata* according to the respective entitlements of the M1 Noteholders); and

  (c) all amounts (if any) payable to the Currency Swap Counterparty pursuant to the M1c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(vi) sixth, to pay *pro rata*:

  (a) all amounts of interest then due and payable in respect of the M2 Notes (*pro rata* according to the respective interest entitlements of the M2 Noteholders) in accordance with Condition 4;

  (b) all amounts of principal due thereon until redemption in full of the M2 Notes (*pro rata* according to the respective entitlements of the M2 Noteholders); and

(c) all amounts (if any) payable to the Currency Swap Counterparty pursuant to the M2c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(vii) seventh, to pay *pro rata*:

(a) all amounts of interest then due and payable in respect of the B1 Notes (*pro rata* according to the respective interest entitlements of the B1 Noteholders) in accordance with Condition 4;

(b) all amounts of principal due thereon until redemption in full of the B1 Notes (*pro rata* according to the respective entitlements of the B1 Noteholders); and

(c) all amounts (if any) payable to the Currency Swap Counterparty pursuant to the B1c Note Currency Swap Agreement other than Hedge Subordinated Amounts;

(viii) eighth, to pay *pro rata*:

(a) all amounts of interest then due and payable in respect of the B2 Notes (*pro rata* according to the respective interest entitlements of the B2 Noteholders) in accordance with Condition 4; and

(b) all amounts of principal due thereon until redemption in full of the B2 Notes (*pro rata* according to the respective entitlements of the B2 Noteholders);

(ix) ninth, to pay *pro rata*:

(a) all amounts of interest then due and payable *pari passu* in respect of Principal Level A, Principal Level B and Principal Level C of the C Notes; and

(b) all amounts of principal due thereon *pari passu* until redemption in full of Principal Level A, Principal Level B and Principal Level C of the C Notes;

(x) tenth, to pay any amounts due and payable *pro rata* to each Hedging Provider in respect of any Hedge Subordinated Amounts;

(xi) eleventh, to pay to DACS 22 as deferred consideration under the DACS/RMS 22 Mortgage Sale Agreement, the Residual Revenue (if any); and

(xii) twelfth, to pay surplus (if any) to the Issuer.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9(a)); provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes or Detachable A Coupons, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing in respect of the A Notes or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing in respect of the A Notes (including, for the avoidance of doubt, the Detachable A Coupons).

All amounts received from the Currency Swap Counterparty by the Issuer (other than any Swap Termination Amounts) under: (i) the A1b Note Currency Swap Agreement shall be paid to the A1b Noteholders; (ii) the A1c Note Currency Swap Agreement shall be paid to the A1c Noteholders, (iii) the A2c Note Currency Swap Agreement shall be paid to the A2c Noteholders, (iv) the A3c Note Currency Swap Agreement shall be paid to the A3c Noteholders, (v) the M1c Note Currency Swap

Agreement shall be paid to the M1c Noteholders, (vi) the M2c Note Currency Swap Agreement shall be paid to the M2c Noteholders, and (vii) the B1c Note Currency Swap Agreement shall be paid to the B1c Noteholders and in each case towards satisfaction of the Issuer's payment obligations under the A Notes, the M Notes and the B1 Notes respectively.

3 Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Master Securitisation Agreement, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Special Servicer Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Standby Servicer Agreement, the DACS/RMS 22 Mortgage Sale Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Collection Accounts Declarations of Trust, the Post Enforcement Call Option, the Fixed Rate Swap Agreements, the Interest Rate Cap Agreement, the Basis Swap Agreement, the Currency Swap Agreements, the Depository Agreement, the Exchange Rate Agency Agreement and the Bank Agreement (together the "**Documents**"), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) *Negative Pledge*

create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on Activities*

(i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;

(ii) open any account whatsoever with any bank other than the Accounts held with the Accounts Bank or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2 and where an acknowledgement is received from such other bank of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares;

(d) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(g) *Tax Grouping*

(i) become a member of a group of companies for the purposes of value added tax; or

(ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the United Kingdom Income and Corporation Taxes Act 1988.

(h) *Other*

permit any of the Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these Conditions, or permit any party to any of the Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

4 Interest

(a) *Period of Accrual*

Each Note of each class bears interest from (and including) the Initial Issue Date. Each Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 15) that it has received all sums due in respect of such Note (except to the extent that there is any subsequent default in payment).

(b) *Interest Payment Dates and Interest Periods*

Subject to Condition 6, interest on the Notes is payable on the A Notes, the M Notes, the B Notes and the C Notes on 14 November 2006, and thereafter quarterly in arrear on the 14th day in February, May, August and November in each year unless such day is not a Business Day, in which case interest shall be payable on the following Business Day (each such date an "**Interest Payment Date**"). The period from (and including) an Interest Payment Date (or the Initial Issue Date) to (but excluding) the next (or first) Interest Payment Date is called an "**Interest Period**" in these Conditions.

(c) *Rate of Interest*

Subject to Condition 7, the rate of interest payable from time to time (the "**Rate of Interest**") and the Interest Amount (as defined below) in respect of the Notes will be determined on the basis of the provisions set out below:

(i) in relation to the U.S.$ Notes, on the second London Business Day preceding each Interest Payment Date or, in the case of the first Interest Period, two London Business Days prior to the Initial Issue Date (each an "**Interest Determination Date**" in respect of the U.S.$ Notes), the Agent Bank will determine the offered quotation to leading banks in the London interbank

market for three month U.S. dollar deposits or, in the case of the first Interest Period, a linear interpolation of the offered quotation for four and five month U.S. dollar deposits in the London interbank market by reference to the display as quoted on the Telerate Screen Page No. 3750 (or (a) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Telerate Monitor) as at or about 11.00 a.m. (London time) on that date (the "**Screen Rate**" in respect of the U.S.$ Notes). If, on the relevant Interest Determination Date, the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Condition 4(i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks for three month U.S. dollar deposits, or, in the case of the first Interest Period, such rates for four month and five month U.S. dollar deposits which shall be interpolated. The Rate of Interest (other than in respect of that part of the interest on the A Notes as is represented by the Detachable A Coupons) for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;

(ii) in relation to the Sterling Notes, on each Interest Payment Date or, in the case of the first Interest Period, the Initial Issue Date (each, an "**Interest Determination Date**" in respect of the Sterling Notes), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits, or, in the case of the first Interest Period, a linear interpolation of the offered quotations for four and five month sterling deposits in the London interbank market by reference to the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Telerate Screen Page No. 3750 (or (a) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Telerate Monitor) as at or about 11.00 a.m. (London time) on that date (the "**Screen Rate**" in respect of the Sterling Notes). If on the relevant Interest Determination Date the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Condition 4(i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks for three month sterling deposits, or, in the case of the first Interest Period, such rates for four and five month sterling deposits shall be interpolated. The Rate of Interest (other than in respect of that part of the interest on the A Notes as is represented by the Detachable A Coupons) for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;

(iii) in relation to the Euro Notes on the second TARGET Business Day preceding each Interest Payment Date or, in the case of the first Interest Period, two TARGET Business Days prior to the Initial Issue Date (each an "**Interest Determination Date**" in respect of the Euro Notes), the Agent Bank will determine the offered quotation to leading banks in the Euro interbank market for three month Euro deposits, or, in the case of the first Interest Period, a linear interpolation of the offered quotations for four and five month Euro deposits in the Euro interbank market by reference to the display as quoted on the Telerate Screen Page No. 248 (or (a) such other page as may replace Telerate Screen Page No. 248 on that service for the purpose

of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Telerate Monitor) as at or about 11.00 a.m. (London time) on that date (the "**Screen Rate**" in respect of the Euro Notes). If on the relevant Interest Determination Date the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Condition 4(i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks for three month Euro deposits, or, in the case of the first Interest Period, such rates for four and five month Euro deposits shall be interpolated. The Rate of Interest (other than in respect of that part of the interest on the A Notes as is represented by the Detachable A Coupons) for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;

(iv) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the Rate of Interest (other than in respect of that part of the interest on the A Notes as is represented by the Detachable A Coupons) for the relevant Interest Period shall be determined on the basis of the quotations of the two quoting Reference Banks. If, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Rate of Interest (other than in respect of that part of the interest on the A Notes as is represented by the Detachable A Coupons) for the relevant Interest Period in respect of the Notes shall be the Reserve Interest Rate. The "**Reserve Interest Rate**" shall be the rate per annum which the Agent Bank determines to be either (a) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent. 0.00005 per cent., being rounded upwards) of the lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date in respect of the relevant currency in which the Notes are denominated, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (b) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the average of the lending rates in respect of the relevant currency in which Notes are denominated (as appropriate) which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date to leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (b) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date; and

(v) for the period from and including the Initial Issue Date to but excluding the Interest Payment Date in November 2009, the Rate of Interest in respect of the A Notes shall be calculated to include: (a) in respect of the A1a Notes and the A3a Notes, that part of the interest on the A1a Notes and the A3a Notes as is represented by the Detachable A1a-2009 Coupons and Detachable A3a-2009 Coupons, which shall be 1.35 per cent. per annum and 1.35 per cent. per annum respectively (until the earlier of the date on which the A1a Notes or the A3a Notes are redeemed in full and the Interest Payment Date falling in November 2009) in sterling until the Redenomination Date when the amount will be calculated in Euro; (b) in respect of the A1b Notes, that part of the interest on the A1b Notes as is represented by the Detachable A1b-2009 Coupons, which shall be 1.35 per cent. per annum (until the earlier of the date on which the

A1b Notes are redeemed in full and the Interest Payment Date falling in November 2009) calculated in sterling at the Exchange Rate until the Redenomination Date when the amount will be calculated in Euro; and (c) in respect of the A1c Notes, the A2c Notes and the A3c Notes, that part of the interest on the A1c Notes, the A2c Notes and the A3c Notes as is represented by the Detachable A1c-2009 Coupons, the Detachable A2c-2009 Coupons, and the Detachable A3c-2009 Coupons, which shall be 1.35 per cent. per annum, 1.35 per cent. per annum and 1.35 per cent. per annum respectively (until the earlier of the date on which the A1c Notes, the A2c Notes or the A3c Notes are redeemed in full and the Interest Payment Date falling in November 2009) calculated in sterling at the Exchange Rate until the Redenomination Date when the amount will be calculated in Euro; and

(vi) for the period from and including the Interest Payment Date in November 2009 to but excluding the Interest Payment Date in November 2011, the Rate of Interest in respect of the A Notes shall be calculated to include: (a) in respect of the A1a Notes and the A3a Notes, that part of the interest on the A1a Notes and the A3a Notes as is represented by the Detachable A1a-2011 Coupons and Detachable A3a-2011 Coupons, which shall be 1.35 per cent. per annum and 1.35 per cent. per annum respectively (until the earlier of the date on which the A1a Notes or the A3a Notes are redeemed in full and the Interest Payment Date falling in November 2011) in sterling until the Redenomination Date when the amount will be calculated in Euro; (b) in respect of the A1b Notes, that part of the interest on the A1b Notes as is represented by the Detachable A1b-2011 Coupons, which shall be 1.35 per cent. per annum (until the earlier of the date on which the A1b Notes are redeemed in full and the Interest Payment Date falling in November 2011) calculated in sterling at the Exchange Rate until the Redenomination Date when the amount will be calculated in Euro; and (c) in respect of the A1c Notes, the A2c Notes and the A3c Notes, that part of the interest on the A1c Notes, the A2c Notes and the A3c Notes as is represented by the Detachable A1c-2011 Coupons, the Detachable A2c-2011 Coupons and the Detachable A3c-2011 Coupons, which shall be 1.35 per cent. per annum, 1.35 per cent. per annum and 1.35 per cent. per annum respectively (until the earlier of the date on which the A1c Notes, A2c Notes or the A3c Notes are redeemed in full and the Interest Payment Date falling in November 2011) calculated in sterling at the Exchange Rate until the Redenomination Date when the amount will be calculated in Euro; and

For the purposes of these Conditions the "**Relevant Margin**" shall be:

(i) for each Interest Period ending on or before the Interest Payment Date falling in November 2013, 0.08 per cent. per annum for the Ordinary A1a Coupons, 0.07 per cent. per annum for the Ordinary A1b Coupons, 0.08 per cent. per annum for the Ordinary A1c Coupons, 0.13 per cent. per annum for the Ordinary A2c Coupons, 0.18 per cent. per annum for the Ordinary A3a Coupons, 0.18 per cent. per annum for the Ordinary A3c Coupons, 0.30 per cent. per annum for the M1a Notes, 0.30 per cent. per annum for the M1c Notes, 0.50 per cent. per annum for the M2a Notes, 0.50 per cent. per annum for the M2c Notes, 0.90 per cent. per annum for the B1a Notes, 0.90 per cent. per annum for the B1c Notes, 3.75 per cent. per annum for the B2 Notes, and 3.25 per cent. per annum for the C Notes; and

(ii) for each Interest Period ending after the Interest Payment Date falling in November 2013, 0.16 per cent. per annum for the Ordinary A1a Coupons, 0.14 per cent. per annum for the Ordinary A1b Coupons, 0.16 per cent. per annum for the Ordinary A1c Coupons, 0.26 per cent. per annum for the Ordinary A2c Coupons, 0.36 per cent. per annum for the Ordinary A3a Coupons, 0.36 per cent. per annum for the Ordinary A3c Coupons, 0.60 per cent. per annum for the M1a Notes, 0.60 per cent. per annum for the M1c Notes, 1.00 per cent. per annum for the M2a Notes, 1.00 per cent. per annum for the M2c Notes, 1.80 per cent. per annum for the B1a Notes,

1.80 per cent. per annum for the B1c Notes, 4.75 per cent. per annum for the B2 Notes, and 3.25 per cent. per annum for the C Notes,

and "**Ordinary A1a Coupons**", "**Ordinary A1b Coupons**" and "**Ordinary A1c Coupons**" shall mean the Ordinary Coupons relating to the A1a Notes, A1b Notes and A1c Notes respectively.

"**Ordinary A2c Coupons**" shall mean the Ordinary Coupons relating to the A2c Notes.

"**Ordinary A3a Coupons**" and "**Ordinary A3c Coupons**" shall mean the Ordinary Coupons relating to the A3a Notes and A3c Notes respectively and together with the Ordinary A1a Coupons, the Ordinary A1b Coupons, the Ordinary A1c Coupons and the Ordinary A2c Coupons, the "**Ordinary A Coupons**".

(d) *European Economic and Monetary Union*

If, as a result of the start of the third stage of EMU pursuant to the Treaty, it becomes impossible for the Agent Bank to determine the Rate of Interest for any Interest Period in accordance with Condition 4(c)(ii) above, the Rate of Interest for each such Interest Period shall be determined by the Agent Bank on the basis set out in Condition 4(c)(iii) and (iv).

(e) *Determination of Rates of Interest and Calculation of Interest Amounts*

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer, the Trustee, the Irish Stock Exchange and the Paying Agents of (i) the Rate of Interest applicable to the relevant Interest Period in respect of each Note (and the Detachable A Coupons) and (ii) the amount of interest (the "**Interest Amount**") payable in respect of each Note (and the Detachable A Coupons) for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note (or, in the case of the Detachable A Coupons, to the Coupons Value) on the first day of such Interest Period (after taking into account any redemptions occurring in respect of such Notes on such Interest Payment Date), multiplying the product by the actual number of days in such Interest Period divided by 365 in the case of the Sterling Notes (or, if any portion of such Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion divided by 366 and (ii) the actual number of days in the remainder of such Interest Period divided by 365) and by 360 in the case of the U.S.$ Notes and the Euro Notes, 0.01 U.S. dollars (in the case of the U.S.$ Notes), 0.01 Euro (in the case of the Euro Notes), or penny (half a cent or half a penny or 0.005 Euro, as the case may be, being rounded upwards); provided, however, that, if the Rate of Interest is determined by the Agent Bank pursuant to the provisions of Condition 4(d) (European Economic and Monetary Union) above, the Interest Amount payable in respect of each Note (and the Detachable A Coupons) for any Interest Period to which such Rate of Interest is applicable will instead be calculated by applying the Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Note (or, in the case of the Detachable A Coupons, to the Coupons Value) during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest penny or 0.01 Euro or cent (as appropriate).

(f) *Publication of Rate of Interest, Interest Amount and other Notices*

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount for each Interest Period and the immediately succeeding Interest Payment Date to be notified to each stock exchange (if any) on which the Notes are then listed and will cause notice thereof to be given in accordance with Condition 15. The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(g) *Determination or Calculation by Trustee*

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount in the manner specified in paragraph (a) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) *Notifications to be Final and Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Cash/Bond Administrator, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and Detachable A Couponholders and (in such absence as aforesaid) no liability to the Trustee, the Noteholders or the Detachable A Couponholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(i) *Reference Banks and Agent Bank*

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank PLC and HSBC Bank plc. The initial Agent Bank shall be HSBC Bank plc. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of HSBC Bank plc being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

(j) *Interest on the A Notes*

Interest on the A1a Notes, A1b Notes and A1c Notes shall comprise the sum of that interest represented by the Ordinary A1a Coupons, the Ordinary A1b Coupons and the Ordinary A1c Coupons respectively and that represented by the Detachable A1a Coupons, the Detachable A1b Coupons and the Detachable A1c Coupons respectively, interest on the A2c Notes shall comprise the sum of that interest represented by the Ordinary A2c Coupons and that represented by the Detachable A2c Coupons, interest on the A3a Notes and A3c Notes shall comprise the sum of that interest represented by the Ordinary A3a Coupons and the Ordinary A3c Coupons respectively and that represented by the Detachable A3a Coupons and the Detachable A3c Coupons respectively. Amounts payable on the Detachable A Coupons will be paid in sterling and will be calculated in respect of the Detachable A1b Coupons, the Detachable A1c Coupons, Detachable A2c Coupons and Detachable A3c Coupons on the Sterling Equivalent of the Principal Amount Outstanding of the relevant class of Note calculated at the Exchange Rate.

(k) *Deferral of Interest*

Interest on the Notes shall be payable in accordance with this Condition 4 and Condition 6 subject to the following terms of this Condition 4(k):

(i) in the event that, whilst there are A Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the M1 Notes on such Interest Payment Date (such aggregate

available funds being referred to in this Condition 4(k) as the "**M1 Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the M1 Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each M1 Note, a *pro rata* share of the M1 Residual Amount;

(ii) in the event that, whilst there are A Notes and/or M1 Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the M2 Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the "**M2 Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the M2 Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each M2 Note, a *pro rata* share of the M2 Residual Amount;

(iii) in the event that, whilst there are A Notes and/or M Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is subject to this Condition 4(k), due on the B1 Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the "**B1 Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the B1 Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each B1 Note, a *pro rata* share of the B1 Residual Amount;

(iv) in the event that, whilst there are A Notes, M Notes and/or B1 Notes outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is subject to this Condition 4(k), due on the B2 Notes on any such Interest Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the "**B2 Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the B2 Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each B2 Note, a *pro rata* share of the B2 Residual Amount; and

(v) in the event that, whilst there are A Notes, M Notes or B Notes (collectively, the "**Rated Notes**") outstanding, the Available Revenue Funds (if any) calculated in accordance with the Priority of Payments as being available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(k), due on the C Notes on such Payment Date (such aggregate available funds being referred to in this Condition 4(k) as the "**C Residual Amount**") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(k), due on the C Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each C Note a *pro rata* share of the C Residual Amount.

In the event that, by virtue of the provisions of paragraphs (i) to (v) of this Condition 4(k), a *pro rata* share of the M1 Residual Amount or the M2 Residual Amount or the B1 Residual Amount or the B2 Residual Amount or the C Residual Amount is paid to Noteholders of the relevant class in accordance with such provisions, the Issuer shall create provisions in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the M Notes, or the B Notes and/or the C Notes, as the case may be, on any Interest Payment Date in accordance with this Condition 4(k) falls

short of the aggregate amount of interest payable on the relevant class of Notes but for this Condition 4(k). Such shortfall (the "**Interest Shortfall**") shall accrue interest at a rate for each Interest Period during which it is outstanding equal to Note LIBOR, Note USD LIBOR or Note EURIBOR (as applicable) plus the Relevant Margin for the relevant class of Notes for such Interest Period, as applicable. A *pro rata* share of such shortfall thereon shall be aggregated with the amount of, and treated for the purpose of this Condition as if it were interest due, subject to this Condition 4(k), on each M Note, B Note or, as the case may be, C Note on the next succeeding Interest Payment Date. This provision shall cease to apply on the Interest Payment Date referred to in Condition 5(a) at which time all accrued interest shall become due and payable.

5 Redemption and Post Enforcement Call Option

(a) *Final Redemption of the Notes*

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the A1 Notes at their Principal Amount Outstanding, together with accrued and unpaid interest on the Interest Payment Date falling in 2031, the A2 Notes, the A3 Notes, the M Notes and the B Notes at their Principal Amount Outstanding, together, in each case, with accrued and unpaid interest on the Interest Payment Date falling in 2039 and the C Notes at their C Note Principal Amount Outstanding on the Interest Payment Date falling in 2039 together with any accrued and unpaid interest.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in paragraphs (b), (c), (d), (e) or (f) of this Condition 5 but without prejudice to Condition 9.

(b) *Mandatory Redemption in Part of the A Notes, M Notes and B Notes*

Prior to enforcement of the Security, on each Interest Payment Date, other than the Interest Payment Date on which the A2 Notes, A3 Notes, M Notes and B Notes are to be redeemed under paragraph (a) above or (e) or (f) below, the Issuer shall apply an amount equal to the Actual Redemption Funds (as defined below) as at the date which falls 3 Business Days prior to such Interest Payment Date (each such date a "**Determination Date**"), in making the following redemptions in the following priority (the "**Redemption Priority**"):

(i) in redeeming the A1 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the A1 Notes have been redeemed in full (which, in respect of the A1b Notes and the A1c Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the A1b Notes and the A1c Notes to the Currency Swap Counterparty under the terms of the A1b Note Currency Swap Agreement or the A1c Note Currency Swap Agreement (as applicable) in exchange for its U.S. dollar or Euro equivalent (as applicable), calculated by reference to the relevant Currency Swap Rate and such U.S. dollar or Euro amount (as applicable) and applied by the Issuer to redeem the A1b Notes or the A1c Notes);

(ii) after the A1 Notes have been redeemed in full, in redeeming the A2c Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the A2c Notes have been redeemed in full (which, in respect of the A2c Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the A2c Notes to the Currency Swap Counterparty under the terms of the A2c Note Currency Swap Agreement in exchange for Euro equivalent, calculated by reference to the relevant Currency Swap Rate and such Euro amount and applied by the Issuer to redeem the A2c Notes);

(iii) after the A2c Notes have been redeemed in full, in redeeming the A3 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the A3 Notes have been redeemed in full (which, in respect of the A3c Notes, shall be effected by payment of the amount of Actual

Redemption Funds available to be applied in redeeming the A3c Notes to the Currency Swap Counterparty under the terms of the A3c Note Currency Swap Agreement (as applicable) in exchange for its U.S. dollar or Euro equivalent (as applicable), calculated by reference to the relevant Currency Swap Rate and such U.S. dollar or Euro amount (as applicable) and applied by the Issuer to redeem the A3c Notes);

(iv) after the A3 Notes have been redeemed in full, in redeeming the M1 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the M1 Notes have been redeemed in full (which, in respect of the M1c Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the M1c Notes to the Currency Swap Counterparty under the terms of the M1c Note Currency Swap Agreement in exchange for its Euro equivalent, calculated by reference to the relevant Currency Swap Rate and such Euro amount and applied by the Issuer to redeem the M1c Notes);

(v) after the M1 Notes have been redeemed in full, in redeeming the M2 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the M2 Notes have been redeemed in full (which, in respect of the M2c Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the M2c Notes to the Currency Swap Counterparty under the terms of the M2c Note Currency Swap Agreement in exchange for its Euro equivalent, calculated by reference to the relevant Currency Swap Rate and such Euro amount and applied by the Issuer to redeem the M2c Notes);

(vi) after the M2 Notes have been redeemed in full, in redeeming the B1 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the B1 Notes have been redeemed in full (which, in respect of the B1c Notes, shall be effected by payment of the amount of Actual Redemption Funds available to be applied in redeeming the B1c Notes to the Currency Swap Counterparty under the terms of the B1c Note Currency Swap Agreement in exchange for its Euro equivalent, calculated by reference to the relevant Currency Swap Rate and such Euro amount and applied by the Issuer to redeem the B1c Notes); and

(vii) after the B1 Notes have been redeemed in full, in redeeming the B2 Notes on a *pari passu pro rata* basis until the Interest Payment Date on which the B2 Notes have been redeemed in full,

provided always that such amount that is available for repayment of the A Notes, the M Notes and the B Notes shall not be applied in accordance with the Redemption Priority referred to above, but shall instead be applied *pro rata* according to the Principal Amount Outstanding of the relevant class of Notes between the A Notes, the M Notes and the B Notes on any such Interest Payment Date (each a "**Trigger Date**") immediately succeeding a Determination Date on which:

(1) the Trigger Ratio is satisfied. The "**Trigger Ratio**" shall be satisfied if X/Y is less than P/2Q where (in each case, references to the Principal Amount Outstanding of the Notes shall be taken as the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes):

P = the Principal Amount Outstanding of the A Notes on the Initial Issue Date

Q = the Principal Amount Outstanding of the M Notes and the B Notes on the Initial Issue Date

X = the Principal Amount Outstanding of the A Notes calculated on the Determination Date in respect of the Interest Payment Date for which the Trigger Ratio is to be calculated, assuming a *pro rata* distribution in accordance with this Condition 5(b)

Y = the Principal Amount Outstanding of the M Notes and the B Notes on the Initial Issue Date;

(2) the aggregate of the Balances of all Mortgages in the Mortgage Pool that are 90 days or more in arrears on such Determination Date as a percentage of the aggregate Balances of all Mortgages in the Mortgage Pool does not exceed 22.50 per cent. (or such greater percentage agreed with the Issuer and the Rating Agencies from time to time upon the basis that such increase will not adversely affect the then current ratings of the Notes);

(3) the Principal Outstanding Balance on the A2c Notes is zero;

(4) all balances on the Principal Deficiency Ledgers are zero;

(5) the are no outstanding drawings in the Reserve Fund; and

(6) the Liquidity Drawn Amount is zero.

The date by which each of the items referred to in (1) to (6) above is satisfied is the date on which a "**Trigger Event**" has occurred.

In the event that any payment is to be made from the Actual Redemption Funds by the Issuer under this Condition and the Actual Redemption Funds are not denominated in the relevant currency in which such payment is to be made, the Issuer shall convert the relevant amounts comprised in the Actual Redemption Funds to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Actual Redemption Funds as at any Determination Date and each determination so made shall (in the absence of negligence, fraud, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Mortgage Administrator, the Trustee and all Noteholders, and no liability to the Noteholders, shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

The amount of Actual Redemption Funds to be applied to redeem the Notes pursuant to this Condition 5 where any class of Notes is expressed to be repayable on a *pari passu pro rata* basis with any other class of Notes shall be calculated on the basis of the Sterling Equivalent of the Principal Amount Outstanding of the relevant Notes denominated in dollars or Euro as at the date for redemption, calculated at the Exchange Rate specified in the relevant Currency Swap Agreement relating to that class of Notes or if the relevant Currency Swap Agreement has then been terminated, the applicable spot rate (each being the "**Sterling Equivalent Principal Amount Outstanding**" for the relevant class of Notes) and the Actual Redemption Funds shall then be allocated on a *pro rata* basis between each such class by reference to the Principal Amount Outstanding of the Notes denominated in sterling then to be redeemed and the Sterling Equivalent Principal Amount Outstanding of the relevant Notes denominated in U.S. dollars or Euro (as applicable) then to be redeemed.

In the event that payment is to be made from the Actual Redemption Funds by the Issuer under this Condition and the Actual Redemption Funds are not denominated in the relevant currency in which such payment is to be made, to the extent the relevant Currency Swap Agreement is not in place, the Issuer shall convert the relevant amounts comprised in the Actual Redemption Funds to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

On each Determination Date, the aggregate of (a) the amount of Further Advances which the Issuer is committed to advancing (but has not yet advanced) as at the relevant Determination Date and (b) the amount, advised to the Issuer by the Special Servicer, which the Issuer anticipates it will require for future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than £500,000 (such aggregate amount, the "**Committed Further Advances**") will be

transferred from the Principal Ledger to a ledger established for such purpose (the "**Further Advances Ledger**"). Available Capital Funds may be applied or set aside by the Issuer on any day for the making of Further Advances after any amounts then standing to the credit of the Further Advances Ledger have been exhausted.

On each Determination Date, the aggregate of (a) the amount notified to the Mortgage Administrator and to the Special Servicer as being required as Borrow-Backs during the next Interest Period (the "**Committed Redraw Amount**") and (b) the amount, advised to the Issuer by the Special Servicer, which the Issuer anticipates it will require for future Borrow Backs, such amount (in respect of this item (b) only) not to be greater than £500,000 (the "**Redraw Reserve Balance**") will be transferred from the Principal Ledger to a ledger established for such purpose (the "**Redraw Reserve Ledger**"). Available Capital Funds may be applied or set aside by the Issuer on any day for Borrow-Backs after any amounts then standing to the credit of the Redraw Reserve Ledger have been exhausted.

"**Available Capital Funds**" means on any day in an Interest Period (including on a Determination Date), an amount represented by the amount standing to the credit of the Principal Ledger at the close of business on the preceding Business Day less, in the period between the calculation of Actual Redemption Funds on a Distribution Date and the application of such Actual Redemption Funds, (a) any commitments to purchase Substitute Loans and (b) the amount of such Actual Redemption Funds calculated on the relevant Determination Date.

The amount of "**Actual Redemption Funds**" as at any Determination Date is an amount calculated as the aggregate of:

(i) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of the Further Advances Ledger (before the transfer of the Committed Further Advances calculated on that Determination Date from the Principal Ledger) on the immediately following Interest Payment Date; plus

(ii) the amount (if any) calculated on that Determination Date pursuant to the Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledgers is expected to be reduced by the application of Available Revenue Funds on the immediately succeeding Interest Payment Date,

minus the aggregate of:

(iii) any amount set aside by the Issuer on such Determination Date for the purchase of Substitute Loans; plus

(iv) the Committed Further Advances calculated on such Determination Date; plus

(v) the Redraw Reserve Balance and the Committed Redraw Amount; plus

(vi) the Rounding Balance. The "**Rounding Balance**" as at any Determination Date is:

  (i) if there are U.S.$ Notes and Euro Notes outstanding on such Determination Date, an amount required to round down Actual Redemption Funds to the nearest one thousand pounds; and

  (ii) otherwise shall be zero.

Any positive Rounding Balance shall be retained in the GIC Account and retained as a credit balance on the Principal Ledger until the next Interest Payment Date.

Notwithstanding the foregoing provisions of this Condition 5(b), if there are amounts standing to the credit of the Prefunded Loans Ledger at the expiry of the Prefunded Loan Period, such amounts will be

applied on the Interest Payment Date falling in November 2006 in the *pro rata* redemption of all the A Notes, M Notes and B Notes.

(c) *Redemption of the C Notes*

Prior to enforcement of the Security, on each Interest Payment Date, other than the Interest Payment Date on which the C Notes are to be redeemed under paragraph (a) above or (e) or (f) below, the Issuer shall apply: (i) an amount equal to the amounts available for the redemption of Principal Level A, Principal Level B and Principal Level C of the C Notes in accordance with item (xvii) of the Priority of Payments to redeem Principal Level A, Principal Level B and Principal Level C of the C Notes, (ii) amounts available for the redemption of Principal Level A, Principal Level B and Principal Level C of the C Notes arising from any available credit balance on the Reserve Ledger that exceeds the then applicable Reserve Fund Required Amount shall be used to pay interest due on the C Notes and thereafter to redeem Principal Level A of the C Notes and thereafter to redeem Principal Level B of the C Notes and thereafter to redeem Principal Level C of the C Notes, in accordance with the terms of the Cash/Bond Administration Agreement; and (iii) following each Prefunded Loan Purchase Date, sums shall be debited from the Tranche C Ledger which are equal to the product of the Prefunded Amount at such date, the number of days remaining in such Interest Period and the differential between the interest earned on the Prefunded Loans Ledger and the interest which would have been due from Borrowers in respect of mortgage loans had such amount been applied in purchasing LIBOR Standard Mortgages or KVR Standard Mortgages on the Initial Issue Date. Such sums shall be applied in and towards the repayment firstly of interest and then of principal on the Principal Level C of the C Notes.

(d) *Note Principal Payments, Principal Amount Outstanding and Pool Factor*

The principal amount redeemable in respect of each Note of each class of A Notes, M Notes and B Notes (the "**Note Principal Payment**") on any Interest Payment Date under paragraph (b) above shall be the amount of the Actual Redemption Funds on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of Notes of that class (being: (i) in the case of the A1b Notes the U.S. dollar amount to be reserved on that Interest Payment Date by the Issuer from the Currency Swap Counterparty under the A1b Note Currency Swap Agreement which is equal to an amount calculated in U.S. dollars at an Exchange Rate of Actual Redemption Funds to be applied to redeem the A1b Notes rounded down to the nearest one thousand U.S. dollars; (ii) in the case of the A1c Notes, A2c Notes and A3c Notes the Euro amount to be received on that Interest Payment Date by the Issuer from the Currency Swap Counterparty under the A1c Note Currency Swap Agreement, the A2c Note Currency Swap Agreement and the A3c Note Currency Swap Agreement as the case may be, which is equal to an amount calculated in Euro at the Exchange Rate of Actual Redemption Funds to be applied to redeem the A1c Notes, the A2c Notes or the A3c Notes, as the case may be, rounded down to the nearest one thousand Euro; (iii) in the case of the M1c Notes and the M2c Notes, the Euro amount to be received on that Interest Payment Date by the Issuer from the Currency Swap Counterparty under the M1c Note Currency Swap Agreement or the M2c Note Currency Swap Agreement, as the case may be, which is equal to an amount calculated in Euro at the Exchange Rate of Actual Redemption Funds to be applied to redeem the M1c Notes or M2c Notes, as the case may be, rounded down to the nearest one thousand Euro; and (iv) in the case of the B1c Notes, the Euro amount to be received on that Interest Payment Date by the Issuer from the Currency Swap Counterparty under the B1c Note Currency Swap Agreement, which is equal to an amount calculated in Euro at the Exchange Rate of Actual Redemption Funds to be applied to redeem the B1c Notes, rounded down to the nearest one thousand Euro, divided by the number of Notes of that class outstanding on the relevant Interest Payment Date (rounded down to the nearest pound, Euro or, as the case may be, U.S. dollar); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

The principal amount redeemable in respect of each C Note (the "**C Note Principal Payment**") on any Interest Payment Date under paragraph (c) above shall be the amount of the Available Revenue Funds on the Determination Date immediately preceding that Interest Payment Date to be applied firstly in redemption *pro rata* of the relevant Principal Level A of the C Notes, secondly in redemption of the relevant Principal Level B of the C Notes, and thirdly in redemption of the relevant Principal Level C of the C Notes divided by the number of Notes of that Principal Level outstanding on the relevant Interest Payment Date (rounded down to the nearest pound); provided always that no such C Note Principal Payment may exceed the C Note Principal Amount Outstanding of the relevant C Note. In addition, any amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount shall be applied for the payment of interest due and outstanding on the C Notes and thereafter to redeem Principal Level A of the C Notes and thereafter Principal Level B of the C Notes and thereafter to redeem Principal Level C of the C Notes and thereafter Principal Level C of the C Notes and any amounts (as notified by the Issuer and the Special Servicer) to be debited to the Tranche C Ledger shall be applied in redeeming Principal Level C of the C Notes.

With respect to each Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each such Note of such class on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) (the "**Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in (ii) above) and the denominator is 50,000 (other than in the case of the U.S.$ Notes where the denominator is 100,000). Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on all persons. With respect to each C Note on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine) (i) the amount of any C Note Principal Payment due on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each C Note on the Interest Payment Date next following such Determination Date (after deducting any C Note Principal Payment due to be made on that Interest Payment Date) (the "**C Note Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in (ii) above) and the denominator is the nominal principal amount of that Note. Each determination by or on behalf of the Issuer of any C Note Principal Payment, the C Note Principal Amount Outstanding and the C Note Pool Factor shall in each case (in the absence of fraud, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each of the classes of Notes, the Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor, or C Note Principal Payment, C Note Principal Amount Outstanding and C Note Pool Factor (as the case may be) to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 15 by not later than 3 Business Days prior to the relevant Interest Payment Date. If no Note Principal Payment or C Note Principal Payment, as the case may be, is due to be made on the Notes of any class on any Interest Payment Date a notice to this effect will be given to the Noteholders. If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each of the classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor, or a C Note Principal Payment, the C Note Principal Amount Outstanding or the C Note Pool Factor (as the case

may be) in accordance with the preceding provisions of this paragraph, such determination may be made by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer and in the absence of fraud, wilful default, bad faith or manifest error shall be final and binding and in such absence of fraud, wilful default, bad faith or manifest error, no liability to the Noteholders shall attach to the Trustee in connection with the exercise or non exercise by the Trustee of its powers, duties, determinations and discretions under this Condition.

(e) *Optional Redemption — at 20 per cent. of A Notes, M Notes and B Notes*

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) is less than 20 per cent. of the initial aggregate Principal Amount Outstanding of the Rated Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes), the Cash/Bond Administrator on behalf of the Issuer, may give not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders (in accordance with Condition 15) and following the giving of such notice the Issuer shall be obliged to redeem all (but not some only) of the A Notes, M Notes, B Notes and C Notes at their Principal Amount Outstanding together, in each case, with accrued and unpaid interest, provided that no such notice shall be given unless the Trustee is satisfied prior to the notice of redemption being given that in its opinion the Issuer will be in a position to discharge all its liabilities in accordance with this Condition and any amounts required under the Cash/Bond Administration Agreement or, as the case may be, the Deed of Charge to be paid in priority to the Notes.

On the Interest Payment Date falling in November 2013 and on any Interest Payment Date thereafter, the Issuer may redeem all (but not some only) of the A Notes, M Notes, B Notes and C Notes at their Principal Amount Outstanding plus accrued and unpaid interest if the Issuer (with the approval of the Trustee) is successful in securing and accepting a bid to purchase the Loans and the Collateral Security outstanding in accordance with the following provisions. In order to secure such bid, on a date at least 60 days prior to the Interest Payment Date falling in November 2013 and, to the extent that the Loans remain unsold, at least 60 days prior to each Interest Payment Date thereafter, the Trustee will solicit bids to purchase all (but not some only) of the Loans and the Collateral Security outstanding on the Interest Payment Date falling in November 2013 or such later Interest Payment Date. The Trustee will only approve acceptance of the bid to purchase the Loans on the Interest Payment Date falling in November 2013 or such later Interest Payment Date if the highest bid (plus other amounts available to the Issuer) is equal to or greater than the aggregate Principal Amount Outstanding of the A Notes, M Notes, B Notes and C Notes (taking the Sterling Equivalent thereof in respect of the U.S.$ Notes and the Euro Notes) plus accrued and unpaid interest and expenses incurred in connection with soliciting such bids and such sale, on the Interest Payment Date falling in November 2013 or the relevant Interest Payment Date, as the case may be.

In the event that the Issuer (with the approval of the Trustee) is successful in securing and accepting a bid in accordance with the foregoing provisions, the Cash/Bond Administrator on behalf of the Issuer may give notice at least 14 days prior to the next Interest Payment Date to the Trustee and the relevant Noteholders in accordance with Condition 15, and following the giving of such notice the Issuer shall be obliged to redeem the A Notes, M Notes, B Notes and C Notes (taking the Sterling Equivalent thereof in respect of the A1b Notes and the Euro Notes) at their Principal Amount Outstanding plus accrued and unpaid interest on the Interest Payment Date falling in November 2013 or the relevant Interest Payment Date thereafter, provided that no such notice shall be given unless the Trustee is satisfied prior to the notice of redemption being given that in its opinion the Issuer will be in a position to discharge all its liabilities in accordance with this Condition and any amounts required under the Cash/Bond Administration Agreement or, as the case may be, the Deed of Charge to be paid in priority to the Notes.

(f) *Optional Redemption for Tax Reasons*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer would be required by reason of a change in law, or the interpretation or administration thereof, to deduct or withhold from any payment of principal or interest on the A Notes, M Notes and B Notes (other than in respect of default interest) or any other payment to be made under the Currency Swap Agreements, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest in relation to any of the Mortgages during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, and whether or not actually received) by the Issuer during such Interest Period or (iii) amounts payable by the Currency Swap Counterparty to the Issuer will be subject to deduction or withholding on account of any present or future taxes, duties, assessments or governmental charges of whatever nature and are not otherwise subject to a gross-up payment on the part of the Currency Swap Counterparty and, in all cases, the Issuer will be in a position at the relevant Interest Payment Date on which the Notes are to be redeemed to discharge all its liabilities in respect of the A Notes, M Notes and B Notes to be redeemed and any amounts required under the Cash/Bond Administration Agreement or, as the case may be, the Deed of Charge to be paid in priority to the Notes, then the Cash/Bond Administrator may on behalf of the Issuer, give not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders (in accordance with Condition 15) ending on the subsequent Interest Payment Date and following the giving of such notice the Issuer shall redeem on that Interest Payment Date all (but not some only) of the A Notes, M Notes and B Notes at their Principal Amount Outstanding and the C Notes (though only to the extent the Issuer has funds available after redemption of the A Notes, M Notes and B Notes) at their C Note Principal Amount Outstanding together, in each case, with accrued and unpaid interest, provided that the Trustee is satisfied prior to the notice of redemption being given that in its opinion the Issuer will be in a position to discharge all its liabilities in accordance with this Condition and any amounts required under the Cash/Bond Administration Agreement or, as the case may be, the Deed of Charge to be paid in priority to the A Notes, M Notes and B Notes.

(g) *Notice of Redemption*

Any such notice as is referred to in paragraph (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the A Notes, M Notes and B Notes at their Principal Amount Outstanding plus accrued and unpaid interest, and the C Notes at their C Note Principal Amount Outstanding plus accrued and unpaid interest.

(h) *Purchase*

The Issuer shall not purchase any Notes, Detachable A Coupons or Coupons.

(i) *Cancellation*

All Notes redeemed will be cancelled upon redemption, and may not be resold or re-issued.

(j) *Post Enforcement Call Option*

All of the M Noteholders and/or the B Noteholders and/or the C Noteholders will, at the request of RMS Options Limited, sell all (but not some only) of their holdings of the M Notes and/or B Notes and/or the C Notes, as the case may be, to RMS Options Limited pursuant to the option granted to it by the Trustee (as agent for the Noteholders) to acquire all (but not some only) of the M Notes and/or the B Notes and/or the C Notes (plus, in each case, accrued interest thereon), for a consideration of one penny per M1a Note, M2a Note, Bla Note, B2 Note and C Note outstanding or one cent per M1c Note,

M2c Note and B1c Note outstanding in the event that the Security for the M Notes and/or the B Notes and/ or the C Notes is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the M Notes and/or the B Notes and/or the C Notes and after the application of any such proceeds to the M Notes and/or the B Notes and/or the C Notes under the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of the M Notes and/or the B Notes and/or the C Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option and each Noteholder, by subscribing for or purchasing the relevant Note(s), agrees to be so bound.

6 Payments

(a) *Global Notes*

Payments of interest and principal in respect of any Global Note, other than payments of interest in respect of the Global Detachable A Coupons will be made against presentation (and, in the case of final redemption, surrender) of such Global Note at the specified office of the Paying Agents. A record of each payment so made will be endorsed on the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made. Payments in respect of the U.S.$ Notes will be made in U.S. dollars (other than Detachable A1b Coupons which will be made in sterling until the Redenomination Date) and in respect of the Euro Notes will be made in Euro (other than the Detachable A1c Coupons, Detachable A2c Coupons and Detachable A3c Coupons which will be made in sterling until the Redenomination Date) at the specified office of the Paying Agents by transfer to a U.S. dollar account (or any other account to which U.S. dollars may be transferred) in respect of the U.S.$ Notes (other than the Detachable A1b Coupons), a Euro account (or any other account to which Euros may be transferred) in respect of the Euro Notes (other than the Detachable A1c Coupons, Detachable A2c Coupons and Detachable A3c Coupons) and otherwise to a sterling account (until the Redenomination Date) maintained by the payee with a bank in London.

Payments of interest in respect of the Global Detachable A Coupons will be made against presentation and surrender of the Global Detachable A Coupons at the specified office of the Paying Agents. A record of each payment so made will be endorsed on the schedule to the relevant Global Detachable A Coupons by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made.

(b) *Definitive Notes*

Payments of interest and principal in respect of Definitive Notes (including payments of interest in respect of Definitive Detachable A Coupons) will be made by U.S. dollar cheque drawn on a bank in New York City in respect of the U.S.$ Notes, by Euro cheque drawn on a bank in the Eurozone in respect of the Euro Notes and otherwise by sterling cheque (until the Redenomination Date) drawn on a bank in London, mailed to the holder (or to the first-named of joint holders) of such Definitive Notes at the address shown on the Register not later than the due date for such payment. For the purposes of this Condition 6(b), the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the 15th day before the due date for such payment (the "**Record Date**").

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Note, such payment will be made by transfer to a U.S. dollar account, in respect of the U.S.$ Notes, a Euro account in respect of the

Euro Notes and otherwise to a sterling account maintained by the payee with a bank in London. Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of the Definitive Notes which become payable to the Noteholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Noteholder.

No payment due on the Interest Payment Date falling in November 2031 in respect of the A1 Notes or November 2039 in respect of the A2 Notes, the A3 Notes, the M Notes, the B Notes and the C Notes or such earlier date as the Definitive Notes may become repayable in full shall be made in respect of any Definitive Note unless and until such Definitive Note has been surrendered at the specified office of the Principal Paying Agent, the Registrar or any Tender Agent.

(c) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) If payment of principal and interest is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4 will be paid to the extent received against (in respect of any Global Note) presentation of such Note at the specified office of the Paying Agents and (in respect of any Definitive Note) in accordance with Condition 4. If any payment due in respect of any Note is not paid in full, the Principal Paying Agent will (in respect of a Global Note) endorse a record of the amount (if any) so paid on the relevant Note and the Registrar will (in respect of a Definitive Note) annotate the Register with a record of the amount (if any) so paid.

(e) The initial Paying Agents and their initial specified offices are listed at the end of the Global Note or Definitive Note to which these Conditions are attached or endorsed. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Principal Paying Agent with a specified office in Ireland (so long as the Notes are listed on the Official List), (b) a Paying Agent with a specified office in continental Europe (if the Notes are issued in definitive form or the Issuer is obliged to issue Notes in definitive form) and (c) an Agent Bank. If Definitive Notes are issued, the Issuer will in addition maintain a Registrar having a specified office outside the United Kingdom and a Transfer Agent having a specified office in Dublin (so long as the Notes are listed on the Official List). The Issuer will cause at least 30 days' notice of any change in or addition to any of the Agents or their specified offices to be given in accordance with Condition 15.

(f) If any Global Note is presented for payment on a day which is not a business day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Global Note. No holder of a Definitive Note will be entitled to any interest or other payment for any delay in receiving the amount due as a result of the due date not being a business day, the relevant Noteholder being late in surrendering its Definitive Note (if required to do so) or a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail.

(g) If, upon due presentation upon a relevant Interest Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of any Note or part thereof by the Trustee or the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected Noteholders by paying to the Trustee on behalf of such Noteholders a sum calculated as the amount so withheld or refused plus an amount calculated as equal to the amount of interest which would have accrued in accordance with Condition 4 if payment of such amount had been paid by the Issuer to the Noteholders on the relevant Interest Payment Date (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Note up to that day are received by the relevant Noteholder, payment under such indemnity to be due without demand from the relevant Interest Payment Date.

7 Prescription

A Global Note shall become void unless presented for payment of principal within a period of ten years from the relevant date in respect thereof and five years in respect of payment of interest. Claims in respect of principal and interest in respect of Definitive Notes shall become void unless made within a period of ten years, in the case of principal, and five years, in the case of interest, from the appropriate relevant date on which such sums became due and payable. After the date on which a Note becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "**relevant date**", in respect of a Note is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Notes due on or before that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect having been duly given to the Noteholders in accordance with Condition 15.

8 Taxation

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. NONE OF THE ISSUER, THE PRINCIPAL PAYING AGENT, ANY OTHER AGENT, NOR ANY OTHER PERSON WILL BE OBLIGED TO MAKE ANY ADDITIONAL PAYMENTS TO HOLDERS OF NOTES IN RESPECT OF SUCH WITHHOLDING OR DEDUCTION.

9 Events of Default

(a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the A Notes (taking, in each case, the Sterling Equivalent thereof of the A1b Notes, A1c Notes, A2c Notes and A3c Notes) or if no A Notes are outstanding, the M1 Notes (taking, in each case, the Sterling Equivalent thereof of the M1c Notes), or if no M1 Notes are outstanding, the M2 Notes (taking the Sterling Equivalent thereof of the M2c Notes), or if no M2 Notes are outstanding, the B1 Notes (taking the Sterling Equivalent thereof of the B1c Notes), or if no B1 Notes are outstanding, the B2 Notes, or if no B2 Notes are outstanding, the C Notes, or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the A Notes, or if no A Notes are outstanding, the M1 Notes, or if no M1 Notes are outstanding, the M2 Notes, or if no M2 Notes are outstanding, the B1 Notes, or if no B1 Notes are outstanding, the B2 Notes, or if no B2 Notes are outstanding, the C Notes (in all cases subject to the Trustee being indemnified to its satisfaction) shall, give notice to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an "**Event of Default**"):

(i) default being made for a period of 10 Business Days in the payment of the principal of or any interest on any Note or any interest on any Detachable A Coupons when and as the same ought to be paid in accordance with these Conditions, provided that a deferral of interest in accordance with Condition 4(k) shall not constitute a default in the payment of such interest for the purposes of this Condition 9; or

(ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or the Trust Deed or the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, or the Special Servicer failing duly to perform or observe any obligation binding on it under the Mortgage Administration Agreement, the Cash/Bond Administration Agreement, the Special Servicer Agreement or the Deed of Charge and, in any such case (except where the

Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Special Servicer (as the case may require) of notice requiring the same to be remedied; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or

(iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the A Notes, or if no A Notes are outstanding, the M1 Notes, or if no M1 Notes are outstanding, the M2 Notes, or if no M2 Notes are outstanding, the B1 Notes, or if no B1 Notes are outstanding, the B2 Notes, or if no B2 Notes are outstanding, the C Notes; or

(v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of each of the events described in sub-paragraph (ii), (iii) or (v) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

(b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10 Enforcement of Notes

At any time after the Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, in its absolute discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Notes together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes provided that (i) no Extraordinary Resolution of the M Noteholders or B Noteholders or C Noteholders or any request of the M Noteholders or B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of the A Noteholders or a direction of the A Noteholders to the same effect or none of the A Notes remain outstanding and (ii) if no A Notes remain outstanding no Extraordinary Resolution of the M2 Noteholders, B

Noteholders or C Noteholders or any request of the M2 Noteholders, B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of the M1 Noteholders or a direction of the M1 Noteholders to the same effect or none of the M1 Notes remain outstanding and (iii) if no A Notes or M1 Notes remain outstanding no Extraordinary Resolution of the B Noteholders or C Noteholders or any request of the B Noteholders or C Noteholders shall be effective unless there is an Extraordinary Resolution of the M2 Noteholders or a direction of the M2 Noteholders to the same effect or none of the M2 Notes remain outstanding (iv) if no A Notes or M Notes remain outstanding no Extraordinary Resolution of the B2 Noteholders or any request of the B2 Noteholders shall be effective unless there is an Extraordinary Resolution of the B1 Noteholders or a direction of the B1 Noteholders to the same effect or none of the B1 Notes remain outstanding and (v) if no A Notes, M Notes or B1 Notes remain outstanding no Extraordinary Resolution of the C Noteholders or any request of the C Noteholders shall be effective unless there is an Extraordinary Resolution of the B2 Noteholders or a direction of the B2 Noteholders to the same effect or none of the B2 Notes remain outstanding; and (b) it shall have been indemnified to its satisfaction. No Noteholder or Detachable A Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

11 Meetings of Noteholders; Modifications; Consents; Waiver

The Trust Deed contains provisions for convening meetings of A Noteholders, M Noteholders, B Noteholders and C Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant class of any modification of the Notes of the relevant class (including these Conditions as they relate to the Notes of such relevant class (as the case may be)) or the provisions of any of the Documents, provided that no modification of certain terms by the Noteholders of any class including, *inter alia*, the date of maturity of the Notes of the relevant class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes, the alteration of the Rate of Interest applicable in respect of such Notes or the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such Notes or any alteration of the priority of redemption of such Notes (any such modification in respect of any such class of Notes being referred to below as a "**Basic Terms Modification**") shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Ninth Schedule to the Trust Deed. The Detachable A Couponholders do not have any voting rights.

The quorum at any meeting of the Noteholders of any class of Notes for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant class or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the aggregate Principal Amount Outstanding of the Notes of the relevant class. The quorum at any meeting of the Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 5 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant class or, at any adjourned meeting, two or more persons being or representing the Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding of the Notes of the relevant class so held. In the event there is one Noteholder of a Global Note, the quorum at any meeting of the Noteholders for passing an Extraordinary Resolution shall be one person. For the avoidance of doubt, references in this Condition to Principal Amount Outstanding shall be the Sterling Equivalent of the U.S.$ Notes and the Euro Notes where applicable (such as in the case of joint meetings of different classes).

An Extraordinary Resolution (subject to the foregoing) of the M1 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the A Noteholders (save with respect to the interests of the Detachable A Couponholders) the exercise of which will be binding on the M Noteholders and the B Noteholders and the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution (subject to the foregoing) of the M2 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders and the M1 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders and the M1 Noteholders. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the A Noteholders (save with respect to the interests of the Detachable A Couponholders) or the M1 Noteholders, the exercise of which will be binding on the M2 Noteholders and the B Noteholders and the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution (subject to the foregoing) of the B1 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders and the M Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders and the M Noteholders. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the A Noteholders (save with respect to the interests of the Detachable A Couponholders) or the M Noteholders the exercise of which will be binding on the B1 Noteholders, the B2 Noteholders and the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution (subject to the foregoing) of the B2 Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the M Noteholders and the B1 Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M Noteholders and the B1 Noteholders. Except in certain circumstances the Trust Deed imposes no such limitations on the powers of the A Noteholders (save with respect to the interests of the Detachable A Couponholders) or the M Noteholders and the B1 Noteholders, the exercise of which will be binding on the B2 Noteholders and the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution of the C Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the M Noteholders and the B Noteholders or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M Noteholders and the B Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders (save with respect to the interests of the Detachable A Couponholders) or the M Noteholders or the B Noteholders, the exercise of which will be binding on the C Noteholders, irrespective of the effect on their interests.

An Extraordinary Resolution passed at any meeting of the Noteholders of any class of Notes shall be binding on all Noteholders of the relevant class, whether or not they are present at the meeting. The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75 per cent. of the votes cast on that Extraordinary Resolution. The Trustee may agree, without the consent of the Noteholders or Detachable A Couponholders of any class, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes or Detachable A Coupons of such class (including these Conditions) or any of the Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or Detachable A Couponholders of such class or (b) to any modification of the Notes or Detachable A Coupons of such class (including these Conditions) or any of the Documents, which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature. In respect of each class of Notes or Detachable A Coupons, the Trustee may also, without the consent of the Noteholders or Detachable A Couponholders of such class, determine that any Event of Default or any condition, event or act which, with the giving of notice and/or

lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or agree to any such waiver or authorisation of any such breach or proposed breach of the Notes or Detachable A Coupons (including the Conditions) or any of the Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders or Detachable A Couponholders of each such class and, unless the Trustee agrees otherwise, any such modification shall be notified to such Noteholders or Detachable A Couponholders in accordance with Condition 15 as soon as practicable thereafter.

Once detached from the A Notes, the Holders of the Detachable A Coupons shall have no entitlement to vote at any meeting held for passing an Extraordinary Resolution though no such Extraordinary Resolution will be effective without the consent of the holders of the Detachable A Coupons if it is for the purpose of passing a Basic Terms Modification affecting the Detachable A Coupons.

12 Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Special Servicer with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

13 Definitive Notes

Definitive Notes will only be issued in the following limited circumstances:

(a)

(i) in the case of Rule 144A Global Notes, the Depository Trust Corporation ("**DTC**") is at any time unwilling or unable to continue as the Holder with respect to the CDIs (each as defined in the Depository Agreement) or is at any time unwilling or unable to continue as or ceases to be, a clearing agency registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification; or

(ii) in the case of Reg S Global Notes, either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business; or

(b) if the Depository is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days; or

(c) the Trustee has given an Enforcement Notice to the Issuer; or

(d) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction or payments being made net of tax which would not be suffered were the relevant Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee; or

(e) if, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or the United States (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Initial Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of any class of the Notes which would not be required were the relevant Notes in definitive form.

If Definitive Notes are issued, the beneficial interests represented by the Reg S Global Note of each class shall be exchanged by the Issuer for corresponding Reg S Definitive Notes and the beneficial interests represented by the Rule 144A Global Note of each class shall be exchanged by the Issuer for corresponding Rule 144A Definitive Notes, in each case, in an aggregate principal amount equal to the Principal Amount Outstanding of the relevant Reg S Global Note or Rule 144A Global Note, as the case may be, subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the relevant Global Notes.

14 Replacement of Definitive Notes, Detachable A Coupons and Coupons

If any Note, Detachable A Coupons or Coupons are mutilated, defaced, lost, stolen or destroyed, they may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note, Detachable A Coupons or Coupons will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Detachable A Coupons or Coupons must be surrendered before new ones will be issued.

15 Notice to Noteholders and Detachable A Couponholders

Any notice to the Noteholders shall be validly given if published in the *Irish Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Ireland; provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a "**Relevant Screen**"), publication in the *Irish Times* shall not be required with respect to such information. Any such notice shall be deemed to have been given to the Noteholders and any Detachable A Couponholders shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required. The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange or equivalent regulatory authority on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16 Provision of Information

For so long as any Notes remain outstanding and are "**restricted securities**" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its

expense and upon the request of any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

17 Governing Law

The Documents, the Notes, Detachable A Coupons and the Coupons are governed by, and shall be construed in accordance with, English law (other than those aspects of the Documents specific to the Scottish Mortgages, which are governed by, and shall be construed in accordance with, Scots law).

18 European Economic and Monetary Union

(a) *Notice of redenomination*

The Issuer may, without the consent of the Noteholders and Detachable A Couponholders, on giving at least 30 days' prior notice to the Noteholders, the Detachable A Couponholders, the Trustee and the Principal Paying Agent, designate a date as a redenomination date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which the United Kingdom becomes a Participating Member State.

(b) *Redenomination*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Redenominated Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Redenominated Note equal to the principal amount of that Redenominated Note in pounds sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Trustee, that then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Detachable A Couponholders, each stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;

(ii) if Redenominated Notes have been issued in definitive form:

(A) all unmatured Detachable A Coupons and Coupons denominated in sterling (whether or not attached to the Redenominated Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders and the Trustee that replacement Notes and Coupons denominated in Euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Redenominated Notes denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 18 (European Economic and Monetary Union)) shall remain in full force and effect; and

(C) new Redenominated Notes and Detachable A Coupons denominated in Euro will be issued in exchange for Redenominated Notes and Detachable A Coupons denominated in

sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;

(iii) all payments in respect of the Redenominated Notes (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and

(iv) a Redenominated Note or Coupon relating thereto or Detachable A Coupon may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 18 (European Economic and Monetary Union), "**business day**" means, in respect of any place of presentation, any day which is a day on which commercial banks are open for general business in such place of presentation and which is also a day on which the TARGET system is operating.

(c) *Interpretation*

In these Conditions:

"**Banking Day**" means, for the purposes of Condition 4 (Interest), a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York City and on which the TARGET system is operating;

"**Business Day**" means, (i) in relation to any day falling prior to the Redenomination Date, a day on which commercial banks and foreign exchange markets settle payments in London and New York City and on which the TARGET system is operating, and (ii) in relation to any day falling on or after the Redenomination Date, a day on which the TARGET system is operating and is also a day on which commercial banks and foreign exchange markets settle payment in New York City;

"**dollars**" or "**U.S. dollars**" means the lawful currency of the United States of America;

"**EMU**" means European Economic and Monetary Union;

"**Enforcement Notice**" means a notice given by the Trustee to the Issuer under Condition 10 of the Notes;

"**Euro**" means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam;

"**Excess Swap Collateral**" means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by the Hedging Provider to the Issuer in respect of that Hedging Provider's obligations to transfer collateral to the Issuer under the relevant Hedging Agreement as a result of a rating downgrade, which is in excess of that Hedging Provider's liability under the relevant Hedging Agreement as at the date of termination of the relevant Hedging Agreement or which it is otherwise entitled to have returned to it under the terms of the relevant Hedging Agreement;

"**Exchange Rate**" means the rate agreed pursuant to the Currency Swap Agreements for exchange of sterling to and from U.S. dollars or, as appropriate, Euro;

"**Hedge Subordinated Amounts**" means any amounts to be paid by way of refund of tax credits which the Issuer has received in respect of any withholding or deduction on account of tax made by the

Basis Counterparty, Fixed Rate Swap Counterparties or Currency Swap Counterparties to the extent the Basis Swap Counterparty, Fixed Rate Swap Counterparties or Currency Swap Counterparty has grossed up payments under the relevant swap and any amounts payable by the Issuer due on termination of such swap due to the occurrence of an event of default under such swap in respect of which the Basis Swap Counterparty, Fixed Rate Swap Counterparties or Currency Swap Counterparty (as applicable) is the defaulting party or any amount due or payable by the Issuer as a result of the occurrence of an Additional Termination Event relating to the credit rating of the Currency Swap Counterparty (as such terms are defined in the Currency Swap Agreements) or the Basis Swap Counterparty (as such terms are defined in the Basis Swap Agreement) or the Fixed Rate Swap Counterparties (as such terms are defined in the Fixed Rate Swap Agreements) to the extent of the difference (if positive) between (i) the amount due and payable by the Issuer to the Basis Swap Counterparty, Fixed Rate Swap Counterparties or the Currency Swap Counterparty (as applicable) and (ii) any premium paid to any replacement hedging provider in respect of such Currency Swap Agreement, Basis Swap Agreement and Fixed Rate Swap Agreements (as applicable), provided further that if no such replacement hedging provider is appointed, all amounts due and payable by the Issuer to the Basis Swap Counterparty, Fixed Rate Swap Counterparties or the Currency Swap Counterparty (as applicable) shall be Hedge Subordinated Amounts;

"**London Business Day**" means (i) in relation to any day falling prior to the Redenomination Date, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and (ii) in relation to any day falling on or after the Redenomination Date, a day on which the TARGET system is operating;

"**Most Senior Class of Notes**" means the A Notes for so long as there are any A Notes outstanding, thereafter the M1 Notes for so long as there are any M1 Notes outstanding, thereafter the M2 Notes for so long as there are any M2 Notes outstanding, thereafter the B1 Notes for so long as there are any B1 Notes outstanding, thereafter the B2 Notes for so long as there are any B2 Notes outstanding, thereafter the C Notes for so long as there are any C Notes outstanding;

"**Participating Member State**" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"**Rating Agencies**" means Fitch, Moody's and S&P and "**Rating Agency**" means any of them;

"**Ratings Test**" means confirmation from the Rating Agencies (or where specified, one of them) that, in respect of any event or matter where such confirmation is required, the then current ratings of the Notes will not be materially adversely affected to the extent of being downgraded, qualified or withdrawn by the relevant event or matter;

"**TARGET system**" means the Trans-European Automated Real-time Gross Settlement Express Transfer system;

"**TARGET Business Day**" means a day on which banks in the TARGET system are open for business; and

"**Treaty**" means the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

19 Privity of Contract

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Notes but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TERMS AND CONDITIONS OF THE MERCs

The following is the text of the terms and conditions of the MERCs (the "**MERC Conditions**") which (subject to amendment and completion) will be endorsed or attached on each Global MERC and each Definitive MERC (if applicable) and (subject to the provisions thereof) will apply to each such MERC.

The Mortgage Early Redemption Certificates ("**MERCs**") of Residential Mortgage Securities 22 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") to be dated on or about 7 July 2006 (the "**Initial Issue Date**") between the Issuer and Capita Trust Company Limited (the "**Trustee**"), which expression includes the trustee or trustees for the time being under the Trust Deed) as trustee for holders of the MERCs ("**MERC Holders**") and in relation to the Definitive MERCs (as defined below), Definitive MERC Holders, and in relation to Global MERCs (as defined below) Global MERC Holders. The Issuer and Trustee, *inter alios*, have entered into a master securitisation agreement (the "**Master Securitisation Agreement**") to be dated on or about the Initial Issue Date the schedules to which contain some of the Documents as described below. The MERCs will have the benefit of (to the extent applicable) a paying agency agreement as set out in the Master Securitisation Agreement (and Schedule 1 thereto (together "**Paying Agency Agreement**"), as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc, as principal paying agent (the "**Principal Paying Agent**") and as agent bank (the "**Agent Bank**") and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**").

In these MERC Conditions, all references to "**Registrar**", "**Paying Agent**" and "**Transfer Agent**" shall mean any registrar, transfer or additional paying agents appointed from time to time in accordance with the Paying Agency Agreement (which as at the Initial Issue Date shall be HSBC Bank plc) and shall include any successors thereto or to the Principal Paying Agent appointed from time to time in accordance with the Paying Agency Agreement and any reference to an "**Agent**" or "**Agents**" shall mean any or all (as applicable) of the above persons.

In these MERC Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the master definitions schedule dated on or about the Initial Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These MERC Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and a deed of charge and assignment (the "**Deed of Charge**") dated on or about the Initial Issue Date between, *inter alios*, the Issuer and the Trustee. Copies of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and the Deed of Charge are available for inspection during usual business hours at the principal office of the Trustee at Phoenix House, 18 King William Street, London EC4N 7HE and at the specified office of the Principal Paying Agent. The MERC Holders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, the provisions of the Trust Deed, the Paying Agency Agreement, the Depository Agreement and the Deed of Charge.

1 Form and Title

MERCs initially offered and sold outside the United States to non-U.S. persons (as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") pursuant to Regulation S (the "**Reg S MERCs**") will be represented by a global certificate in registered form (a "**Reg S Global MERC**"). MERCs initially offered and sold within the United States to "**qualified institutional buyers**" (as defined in Rule 144A ("**Rule 144A**") under the Securities Act), in reliance on Rule 144A (the "**Rule 144A MERCs**") will be represented by a global certificate in registered form (a "**Rule 144A Global MERC**" and, together with the Reg S Global MERCs, the "**Global MERCs**").

If MERCs in definitive form are issued pursuant to MERC Condition 12, a definitive certificate in respect of each MERC represented by the Reg S Global MERC ("**Reg S Definitive MERCs**") and Rule 144A Global

MERC ("**Rule 144A Definitive MERCs**" and, together with the Reg S Definitive MERCs, the "**Definitive MERCs**") will be issued in registered form and serially numbered.

Title to the Global MERCs and Definitive MERCs will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**"). Global MERC Holders or Definitive MERC Holders shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global MERC or Definitive MERC, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon other than, in the case of a Definitive MERC, a duly executed transfer of such MERC in the form endorsed thereon.

Transfers of Global MERCs and Definitive MERCs

Transfers and exchanges of beneficial interests in Global MERCs will be effected subject to and in accordance with the detailed provisions of the Depository Agreement. All transfers of Definitive MERCs and entries on the Register in the case of any Definitive MERCs will be made subject to any restrictions or transfers set forth on such Definitive MERCs and the detailed regulations concerning transfers of such MERCs scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Registrar to any holder of a Definitive MERC who so requests.

A Definitive MERC may be transferred upon the surrender of the relevant Definitive MERC, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar.

Each new Definitive MERC to be issued upon a transfer will, within 5 business days (in the place of the specified office of the Registrar) of receipt of such request for transfer, be available for delivery at the specified office of the Registrar stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive MERC to such address as may be specified in such request.

Registration of Definitive MERCs on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it. No Definitive MERC Holder may require the transfer of such MERC to be registered during the period of 15 days ending on the due date for any payment of sums due on such MERC.

Redenomination

Following redenomination of the MERCs (the "**Redenominated MERCs**") pursuant to Condition 17 (European Economic and Monetary Union):

(i) if the Redenomination MERCs are required to be issued in definitive form, they shall be issued at the expense of the Issuer in the denominations of Euro 0.01, Euro 1,000, Euro 10,000, Euro 100,000 and such other denominations as the Issuer, with the consent of the Trustee, shall determine and notify to the MERC Holders;

(ii) the amount of interest due in respect of the Redenominated MERCs represented by the Global MERCs will be calculated by reference to the aggregate principal amount of such MERCs and the amount of such payment shall be rounded down to the nearest Euro 0.01; and

(iii) for the purposes of this paragraph, "**Euro**" means the single currency to be introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.

2 Status, Security and Administration

The MERCs constitute direct, secured (as more particularly described in the Deed of Charge) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.

The MERCs have voting rights under the Trust Deed in relation to the MERC Conditions but for avoidance of doubt MERC Holders do not have any voting rights under the Notes. The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons (other than Noteholders in accordance with the Trust Deed) having the benefit of the security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Trustee shall have no liability to such persons as a consequence of so acting.

As security for the payment of all moneys payable in respect of the MERCs, the Deed of Charge will create in favour of the Trustee for itself and on trust for the MERC Holders a fixed equitable charge over the Issuer's interest in the Bank Accounts and any Authorised Investments funded by cash from time to time standing to the credit of the MERR Ledger. There will be no other security for the Issuer's obligations under the MERCs.

3 Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Master Securitisation Agreement, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Special Servicer Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Standby Servicer Agreement, the DACS/RMS 22 Mortgage Sale Agreement, the Guaranteed Investment Contract, the Liquidity Facility Agreement, the Collection Accounts Declarations of Trust, the Post Enforcement Call Option, the Fixed Rate Swap Agreements, the Currency Swap Agreements, the Interest Rate Cap Agreement, the Basis Swap Agreement, the Depository Agreement, the Exchange Rate Agency Agreement, and the Bank Agreement (together the "**Documents**"), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed) *inter alia*:

(a) *Negative Pledge*

Create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking.

(b) *Restrictions on Activities*

(i) engage in any activity which is not reasonably incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in;

(ii) open any account whatsoever with any bank, other than the Accounts held with the Accounts Bank, or other financial institution, save where such account is immediately charged in favour of the Trustee so as to form part of the Security described in Condition 2 of the Notes and where an acknowledgement is received from such other bank of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company.

(c) *Dividends or Distributions*

Pay any dividend or make any other distribution to its shareholders or issue any further shares.

(d) *Borrowings*

Incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person.

(e) *Merger*

Consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person.

(f) *Disposal of Assets*

Transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein.

(g) *Tax Grouping*

(i) become a member of a group of companies for the purposes of value added tax;

(ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the United Kingdom Income and Corporation Taxes Act 1988; or

(h) *Other*

Permit any of the Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and these MERC Conditions, or permit any party to any of the Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders or MERC Holders.

4 MER Distributions

(a) *Entitlement*

Each MERC bears an entitlement to receive a distribution ("**MER Distribution**") of amounts received by the Issuer in respect of the obligation of Borrowers, in certain circumstances, to make compensatory payments in the event they elect to prepay Loans or any such payments received following an enforcement event (each an "**Enforcement Receipt**" and together the "**Mortgage Early Redemption Receipts**") to be made by Borrowers upon enforcement. The MER Distribution shall be equal to the aggregate of Mortgage Early Redemption Receipts (if any) received by the Issuer in the Determination Period (defined below), less the aggregate of Mortgage Early Redemption Receipts (if any) received by the Issuer within 30 days of the end of the relevant Determination Period (the "**MER Refund Period**") together with any Mortgage Early Redemption Receipts received within 30 days of the end of the immediately preceding Determination Period that have not been refunded to Borrowers in accordance with the Cash/ Bond Administration Agreement divided by the number of MERCs existing on the 3rd Business Day before each Interest Payment Date (each such date a "**Determination Date**") immediately preceding the relevant Interest Payment Date on which such MER Distributions are to be paid. MER Distributions will be calculated from (and including) each Determination Date (or the Initial Issue Date) to (but excluding) the next (or first) Determination Date, such period being a "**Determination Period**". A MER Distribution will only include those Mortgage Early Redemption Receipts made by Borrowers within the Determination Period but outside of the MER Refund Period. Mortgage Early Redemption Receipts received by the Issuer within the MER Refund Period will be deemed to have been made on the day immediately following the expiry of the applicable MER

Refund Period. Each MERC shall cease to bear an entitlement to a MER Distribution from the date of the cancellation of the MERCs (in accordance with MERC Condition 5).

(b) *Payment*

Subject to MERC Condition 6, MER Distributions are payable in sterling on 14th November 2006 and thereafter on the 14th day in February, May, August and November in each year or on the following Business Day if such day is not a Business Day (each such date an "**Interest Payment Date**").

(c) *Determination and Calculation*

The Cash/Bond Administrator shall, on each Determination Date, determine and notify the Issuer, the Mortgage Administrator, the Special Servicer, the Trustee, the Irish Stock Exchange and the Paying Agents of the pounds sterling amount of the MER Distribution payable on the subsequent Interest Payment Date.

(d) *Publication and other Notices*

As soon as practicable after receiving notification thereof, the Issuer will cause the MER Distribution amount payable on each Interest Payment Date to be notified to each stock exchange (if any) on which the MERCs are then listed and will cause notice thereof to be given in accordance with MERC Condition 14.

(e) *Determination and Calculation by Trustee*

If the Cash/Bond Administrator does not at any time for any reason determine and/or calculate the MER Distribution in accordance with the foregoing paragraphs, the Trustee shall determine and calculate the MER Distribution amount in the manner specified in paragraphs (a) and (c) above, and any such determination and calculation shall be deemed to have been made by the Cash/Bond Administrator.

(f) *Notifications to be Final*

All notifications, opinions, determinations, certificates, calculations and decisions given, expressed, made or obtained for the purposes of this MERC Condition 4, whether by the Cash/ Bond Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Cash/Bond Administrator, the Trustee and all MERC Holders and (in such absence as aforesaid) no liability to the Trustee or the MERC Holders shall attach to the Issuer, the Cash/Bond Administrator or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

5 Cancellation

The entitlement of MERC Holders to receive MER Distributions is contingent on the A Notes remaining outstanding. Subject to the payment to MERC Holders of MER Distribution amounts then payable, the MERCs shall be cancelled and will no longer constitute a claim against the Issuer following any redemption of all (but not some only) of the A Notes.

6 Payments

(a) *Global MERCs*

Payments of MER Distributions in respect of any Global MERC will be made against presentation (and, in the case of final payment, surrender) of such Global MERC at the specified office of the Paying Agents. A record of each payment so made will be endorsed on the schedule to the relevant Global MERC by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made. Payments in respect of the MERCs will be made in

sterling at the specified office of the Paying Agents by transfer to a sterling account maintained by the payee with a bank in London.

(b) *Definitive MERCs*

Payments of MER Distributions in respect of Definitive MERCs will be made by sterling cheque drawn on a bank in London, mailed to the MERC Holder (or to the first-named of joint MERC Holders) of such Definitive MERCs at the address shown on the Register not later than the due date for such payment. For the purposes of this MERC Condition 6(b), the Definitive MERC Holder will be deemed to be the person shown as the holder (or the first-named of joint MERC Holders) on the Register on the first day before the due date for such payment (the "**Record Date**").

Upon application by the holder of a Definitive MERC to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive MERC, such payment will be made by transfer to a sterling account maintained by the payee with a bank in London. Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of the Definitive MERCs which become payable to the MERC Holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such MERC Holder.

No payment due on the Interest Payment Date falling in November 2039 or such earlier date as the Notes may become repayable in full shall be made in respect of any Definitive MERC unless and until such Definitive MERC has been surrendered at the specified office of the Principal Paying Agent or the Registrar.

(c) Distributions in respect of the MERCs are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) If payment of MER Distributions is improperly withheld or refused on or in respect of any MERC or part thereof, the MER Distributions which continue to accrue in respect of such MERC in accordance with MERC Condition 4(a) will be paid to the extent received against (in respect of any Global MERC) presentation of such MERC at the specified office of the Paying Agents and (in respect of any Definitive MERC) in accordance with MERC Condition 6(b). If any payment due in respect of any MERC is not paid in full, the Principal Paying Agent will (in respect of a Global MERC) endorse a record of the amount (if any) so paid on the relevant MERC and the Registrar will (in respect of a Definitive MERC) annotate the Register with a record of the amount (if any) so paid.

(e) The initial Paying Agents and their initial specified offices are listed at the end of the Global MERC or Definitive MERC to which these MERC Conditions are attached or enclosed. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Agents. The Issuer will at all times maintain (a) a Paying Agent with a specified office in Dublin (so long as the MERCs are listed on the Official List), (b) a Paying Agent with a specified office in continental Europe and (c) an Agent Bank. If Definitive MERCs are issued, the Issuer will in addition maintain a Registrar having a specified office outside the United Kingdom and a Transfer Agent having a specified office in London (so long as the MERCs are listed on the Official List). The Issuer will cause at least 30 days' notice of any change in or addition to any of the Agents or their specified offices to be given in accordance with MERC Condition 14.

(f) If, upon due presentation upon a relevant Interest Payment Date, payment of the relevant MER Distribution is improperly withheld or refused on or in respect of any MERC or part thereof by the Trustee or the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected MERC Holders by paying to the Trustee on behalf of such MERC Holders a sum calculated as the amount so withheld or refused plus an amount calculated at 10 per cent. per annum from the relevant Interest Payment Date (as well after as before any judgment) up to (but excluding) the date on which

all sums due in respect of such MERC up to that day are received by the relevant MERC Holder, payment under such indemnity to be due without demand from the relevant Interest Payment Date.

7 Prescription

A Global MERC shall become void unless presented for payment within a period of five years from the date on which the final MER Distribution first became due. Claims for MER Distributions in respect of Definitive MERCs shall become void unless made within a period of five years from the date on which the final MER Distribution first became due and payable. After the date on which a MERC becomes void in its entirety, no claim may be made in respect thereof.

8 Taxation

All payments in respect of the MERCs will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the MERCs subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. NONE OF THE ISSUER, THE PRINCIP AL PAYING AGENT, ANY OTHER AGENT NOR ANY OTHER PERSON WILL BE OBLIGED TO MAKE ANY ADDITIONAL PAYMENTS TO MERC HOLDERS IN RESPECT OF SUCH WITHHOLDING OR DEDUCTION.

9 Events of Default

Upon any declaration being made by the Trustee in accordance with Condition 10 of the Notes that the Notes are due and repayable, MER Distributions in respect of all Mortgage Early Redemption Receipts received by the Issuer as at the date of such declaration shall immediately become due and payable.

10 Meetings of MERC Holders, Modifications, Consents, Waiver

The Trust Deed contains provisions for convening meetings of MERC Holders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of MERC Holders of any modification of the MERCs (including these MERC Conditions) or the provisions of any of the Documents as they relate to the MERCs, provided that no modification of certain terms by the MERC Holders including, *inter alia*, the date of maturity of the MERCs or a modification which would have the effect of postponing any day for payment of MER Distributions in respect of such MERCs, the reduction or cancellation of the amount of MER Distributions payable in respect of such MERCs, the alteration of the majority required to pass an Extraordinary Resolution or the alteration of the currency of payment of such MER Distribution (any such modification being referred to below as a "**Basic Terms Modification**") shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Ninth Schedule to the Trust Deed.

The quorum at any meeting of the MERC Holders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the MERCs or, at any adjourned meeting, two or more persons being or representing any MERC Holders whatever MERCs are held except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the MERCs. The quorum at any meeting of the MERC Holders for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing in the aggregate not less than 5 per cent. of the MERCs or, at any adjourned meeting, two or more persons being or representing the MERC Holders, whatever the MERCs so held. In the event there is one holder of a Global MERC, the quorum for passing an Extraordinary Resolution shall be one person.

An Extraordinary Resolution of the MERC Holders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of the A Noteholders, the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders, or it is sanctioned by an Extraordinary Resolution of the A Noteholders, the M1 Noteholders, the M2 Noteholders, the B1 Noteholders, the B2 Noteholders and the C Noteholders.

An Extraordinary Resolution passed at any meeting of the MERC Holders shall be binding on all MERC Holders, whether or not they are present at the meeting. The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be not less than 75 per cent. of the votes cast on that Extraordinary Resolution.

The Trustee may agree, without the consent of the MERC Holders (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of the MERCs (including these MERC Conditions) or any of the Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the MERC Holders, or (b) to any modification of the MERCs (including these MERC Conditions) or any of the Documents which in the Trustee's opinion is to correct a manifest error or is of a formal, minor or technical nature.

11 Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the security for the MERCs unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the security for the MERCs, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator, the Special Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator, the Cash/Bond Administrator or the Special Servicer with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.

12 Definitive MERCs

Definitive MERCs will only be issued in the following limited circumstances:

(a)

(i) in the case of Rule 144A Global MERCs, the Depository Trust Corporation ("**DTC**") is at any time unwilling or unable to continue as the Holder with respect to the CDIs (each as defined in the Depository Agreement) or is at any time unwilling or unable to continue as or ceases to be a clearing agency registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification; or

(ii) in the case of Reg S Global MERCs, either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business; or

(b) if the Depository is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuer with the prior written consent of the Trustee within 90 days; or

(c) the Trustee has given a notice to the Issuer under MERC Condition 9; or

(d) the Issuer would suffer a material disadvantage in respect of the MERCs as a result of a change in the laws or regulations (taxation or otherwise) of any applicable jurisdiction or payments being made net of tax which would not be suffered were the relevant MERCs in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee; or

(e) if, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or the United States (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Initial Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the MERCs which would not be required were the relevant MERCs in definitive form.

If Definitive MERCs are issued, the beneficial interests represented by the Reg S Global MERC of each class shall be exchanged by the Issuer for Reg S Definitive MERCs and the beneficial interests represented by the Rule 144A Global MERC of each class shall be exchanged by the Issuer for Rule 144A Definitive MERCs, in each case, in an amount proportionate to the beneficial interests represented by the Reg S Global MERC and Rule 144A Global MERC, respectively, subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the relevant Global MERCs.

13 Replacement of Definitive MERCs

If any MERC is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed MERC will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced MERCs must be surrendered before new ones will be issued.

14 Notice to MERC Holders

Any notice to the MERC Holders shall be validly given if published in the *Irish Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe; provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters Screen, or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a "**Relevant Screen**"), publication in the *Irish Times* shall not be required with respect to such information. Any such notice shall be deemed to have been given to the MERC Holders and they shall be deemed to have notice of the content of any such notice, in each case, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the MERC Holders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange or equivalent regulatory authority on which the MERCs are then listed and provided that notice of such other method is given to the MERC Holders in such manner as the Trustee shall require.

15 Provision of Information

For so long as any MERCs remain outstanding and are "**restricted securities**" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, at its expense and upon the request of any holder of, or beneficial owner of an interest in, such MERCs in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

16 Governing Law

The Documents and the MERCs are governed by, and shall be construed in accordance with, English law (other than those aspects of the Documents specific to the Scottish Mortgages, which are governed by, and shall be construed in accordance with, Scots law).

17 European Economic and Monetary Union

(a) *Notice of redenomination*

The Issuer may, without the consent of the MERC Holders, on giving at least 30 days' prior notice to the MERC Holders, the Trustee and the Principal Paying Agent, designate a date as a redenomination date (the "**Redenomination Date**"), being an Interest Payment Date under the MERCs falling on or after the date on which the United Kingdom becomes a Participating Member State.

(b) *Redenomination*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Redenominated MERCs shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Redenominated MERC equal to the principal amount of that Redenominated MERC in pounds sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Trustee, that then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the MERC Holders, each stock exchange (if any) on which the MERCs are then listed and the Principal Paying Agent of such deemed amendments;

(ii) if Redenominated MERCs have been issued in definitive form:

(A) all Definitive MERCs will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the MERC Holders and the Trustee that replacement MERCs denominated in Euro are available for exchange (provided that such MERCs are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Redenominated MERCs denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such MERCs in accordance with this Condition 17 (European Economic and Monetary Union)) shall remain in full force and effect; and

(C) new Redenominated MERCs denominated in Euro will be issued in exchange for Redenominated MERCs denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the MERC Holders in the Euro Exchange Notice;

(iii) all payments in respect of the Redenominated MERCs (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and

(iv) a Redenominated MERC may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 17 (European Economic and Monetary Union), "**business day**" means, in respect of any place of presentation, any day which is a day on which commercial banks are open for general business in such place of presentation and which is also a day on which the TARGET system is operating.

(c) *Interpretation*

In these Conditions:

"**Business Day**" means a day (other than Saturday or Sunday) on which banks are open for business in London and New York.

"**Euro**" means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

"**Participating Member State**" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"**TARGET system**" means the Trans-European Automated Real-time Gross Settlement Express Transfer system.

18 Privity of Contract

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the MERCs but this does not affect any right or remedy of any person which exists or is available apart from that Act.

UNITED KINGDOM TAXATION

The following is a general summary of the Issuer's understanding of current law and practice in the United Kingdom relating to the taxation of the Notes and the MERCs. Except as specifically mentioned below, it relates only to the position of persons who are the absolute beneficial owners of the Notes, and does not deal with the tax position of Detachable A Couponholders and MERC Holders and may not apply to certain classes of persons such as dealers. The summary should therefore be treated with appropriate caution. Noteholders, Detachable A Couponholders and MERC Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

United Kingdom Withholding Tax

(a) MER Distributions in respect of the MERCs may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.

(b) While the Notes continue to be "**listed**" on a "**recognised stock exchange**" payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax. "**Recognised stock exchange**" is defined in section 841 of the Income and Corporation Taxes Act 1988. The United Kingdom H.M. Revenue and Customs will regard the Notes as so "**listed**" where they are listed by a competent authority and admitted to trading on a "**recognised stock exchange**". The competent authority in Ireland is the IFSRA and Central Bank of Ireland and the Irish Stock Exchange is a "**recognised stock exchange**" for these purposes.

(c) Persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to the United Kingdom H.M. Revenue and Customs regarding the identity of a payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

(d) If the Notes cease to be listed, interest on the Notes and Detachable A Coupons may be paid subject to deduction or withholding for or on account of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction from the United Kingdom H.M. Revenue and Customs in respect of such relief as may be available under the provisions of any applicable double taxation treaty and subject to the exemption for payments falling within the scope of Section 349A of the Income and Corporation Taxes Act 1988.

(e) If Notes are issued at an issue price of less than 100 per cent. of their principal amount, any discount element on any such instrument will not be subject to deduction or withholding for or on account of United Kingdom income tax.

Direct assessment of Non-United Kingdom Resident Noteholders to United Kingdom Tax

Interest on the Notes may be within the charge to United Kingdom tax even if such payments are made without withholding or deduction for or on account of United Kingdom income tax. By way of an exception to this, such payments will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless such person carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency, or such person is a company carrying on a trade through a permanent establishment in the United Kingdom in connection with which the income is received or to which the Notes are attributable. There are exemptions for payments received by certain categories of agent (such as some brokers and investment managers). An exemption from or reduction of United Kingdom tax payable on such payments might be available in appropriate circumstances under the provisions of an applicable double taxation treaty.

Accrued Income — Noteholders who are not United Kingdom Corporate Taxpayers

Where there is a transfer or redemption of a Note by a Noteholder who is not within the charge to corporation tax and is resident or ordinarily resident in the United Kingdom or carrying on a trade in the United Kingdom

through a branch or agency with which the ownership of the Note is connected, such Noteholder may be chargeable to United Kingdom tax on income in respect of an amount (in some cases, an amount deemed by HM Revenue and Customs to be just and reasonable) representing interest accrued on the Note at the time of transfer (by rules known as the accrued income scheme contained in Chapter II of Part XVII of the Income and Corporation Taxes Act 1988).

United Kingdom Corporation Tax — Corporate Noteholders

Noteholders which are companies and are either resident in the United Kingdom for taxation purposes or hold the Notes for the purposes of a trade carried on in the United Kingdom through a permanent establishment in the United Kingdom, will, subject to such relief as may be available under the terms of any applicable double tax treaty, be within the charge to United Kingdom corporation tax in respect of the Notes. Such Noteholders (other than United Kingdom authorised unit trusts) will be subject to tax on all profits and gains (including interest) arising on the Notes broadly in accordance with their statutory accounting treatment. Such profits and gains will normally be charged to tax as income in respect of each accounting period to which they are allocated for accounting purposes. Relief may be available in respect of losses, and for related expenses, on a similar basis. Any such Noteholders should note that any fluctuations in value relating to foreign exchange gains and losses will be taxed and relieved as income for United Kingdom corporation tax purposes generally in accordance with the manner in which such gains and losses are recognised in such holders' accounts. Such Noteholders will be outside the application of the rules described in the paragraph headed "*Accrued Income — Noteholders who are not United Kingdom Corporate Taxpayers*" above and the paragraph headed "*United Kingdom Capital Gains Tax — Non-corporate Noteholders*" below.

United Kingdom Capital Gains Tax — Non-corporate Noteholders

Under current United Kingdom H.M. Revenue and Customs practice, neither the Sterling Notes nor the non-Sterling Notes constitute qualifying corporate bonds within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 because there will be provision for such Notes to be redeemed in or redenominated into Euros. Therefore, a disposal (which includes a redemption) of any such instrument by its holder may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains..

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer of the Global Notes, or on the issue or transfer of a Note in definitive form. No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue of the Global MERCs.

EU Directive on the Taxation of Savings Income (2003/48/EC)

The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual resident in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period (unless during such period they elect otherwise). A number of third countries and territories have adopted similar measures to the EU Directive.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) THIS DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes, Detachable A Coupons and MERCs by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes, Detachable A Coupons and MERCs at the issue price that are U.S. Holders and that will hold the Notes, Detachable A Coupons and MERCs as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes, Detachable A Coupons and MERCs by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Issuer nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes, Detachable A Coupons and MERCs as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes, Detachable A Coupons and MERCs that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes, Detachable A Coupons and MERCs will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes, Detachable A Coupons and MERCs by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, DETACHABLE A COUPONS AND MERCS, INCLUDING THE

APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterization of the Securities

The Issuer intends to take the positions that, for U.S. federal income tax purposes, (a) the A Notes, M Notes, B Notes and Detachable A Coupons are debt, (b) the C Notes and the right of DACS 22 to receive the Residual Revenue as deferred consideration under the DACS/RMS 22 Mortgage Sale Agreement (the "**Residual Revenue Interest**") are equity, and (c) the MERCs are financial contracts. The discussion below is based on these positions and assumes that, as contemplated, the Detachable A Coupons will be stripped from the A Notes promptly after issuance.

In determining whether a security represents indebtedness, United States courts and the Internal Revenue Service (the "**IRS**") have applied a number of factors. The most significant of these factors are: a fixed maturity date, the right to receive fixed payments, the right of a holder to enforce payment on default, the degree of subordination, the intent of the parties, the level of capitalisation, the extent to which the owner of the assets has transferred the opportunity for gain if the assets increase in value, the risk of loss if the assets decrease in value, and the extent to which the investors in the security have obtained the economic benefits and burdens of ownership of the assets. Based on these factors, among others, the Issuer intends to take the above stated positions with respect to the debt or equity treatment of the Notes, Detachable A Coupons, and Residual Revenue Interest for U.S. federal income tax purposes. Among the Notes that the Issuer views as debt, the risk of equity classification is greatest for the B Notes, which are the most highly subordinated.

The characterization of MERCs is uncertain because the payments depend wholly on prepayments of the Loans. It is possible that for U.S. federal income tax purposes the MERCs might be viewed as indebtedness of the Issuer, as an interest in the underlying payments or as equity interests in the Issuer. If the MERCs were viewed as debt instruments, the U.S. federal income tax treatment should be similar to the treatment of the Detachable A Coupons. If viewed as equity, the U.S. federal income tax treatment should be similar to the treatment of C Notes.

No ruling will be obtained from the IRS with respect to the characterisation of the Notes, Detachable A Coupons, Residual Revenue Interest or MERCs for U.S. federal income tax purposes and there can be no assurance that the IRS or the courts will agree with the conclusions of the Issuer. If a different treatment were asserted and sustained, the character, timing and source of income to a U.S. Holder might be different from that described below.

Interest on the Notes (other than C Notes)

General. Interest payments on the A Notes, the B Notes and the M Notes, whether payable in U.S. dollars or a foreign currency, will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the A Notes, the B Notes, and M Notes, and original issue discount ("**OID**"), if any, accrued with respect to the Detachable A Coupons (as described below under "**Original Issue Discount**") constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes, Detachable A Coupons, and MERCs.

Foreign Currency Denominated Interest. If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in

effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within 5 business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a debt instrument) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Original Issue Discount. When the Detachable A Coupons are stripped from the A Notes, both the A Notes and the Detachable A Coupons will be treated as separate, newly issued debt instruments. After the Coupons Stripping, it is expected that the A Notes will be sold at a price equal to or close to 100 per cent. of their principal amount. The A Notes should not be considered to bear OID unless they are issued at a discount in an amount equal to or greater than a *de minimis* amount equal to 0.25 times the weighted average maturity of the A Notes. The weighted average maturity is computed based on the number of full years each distribution of principal is scheduled to be outstanding. The Issuer intends to take the position that the schedule of these distributions is determined in accordance with the assumed rate of prepayment set forth in "*Weighted Average Lives of the Notes*" using a CPR of 25 per cent. determined with sequential redemption and optional redemption (the "**Prepayment Assumption**"). There can be no assurance that payments will actually be made in accordance with the Prepayment Assumption. If the IRS were to determine that a different prepayment assumption is appropriate, that determination could affect whether there is OID on the A Notes. U.S. Holders should consult their tax advisors regarding the possible amortization of bond premium if A Notes are purchased at a price in excess of their principal amount.

Because the B Notes and the M Notes are expected to be issued at par, they should not bear OID. The absence of OID on the A Notes, the B Notes and the M Notes is based on an assumption that these Notes will be redeemed before a step-up in the Relevant Margin, and that the possibility of deferral of interest payments on these Notes is a remote contingency. U.S. Holders should consult with their tax advisors regarding the determination of OID on these Notes if either or both of these assumptions is unwarranted.

Detachable A Coupons

General. The following discussion assumes that the Detachable A Coupons are treated as debt of the Issuer for U.S. federal income tax purposes. This characterization of the Detachable A Coupons is not free from doubt and the IRS could contend that an alternative characterization should apply to the Detachable A Coupons. For example, the Detachable A Coupons could be treated as contingent payment debt instruments for U.S. federal income tax purposes. If such a characterization were sustained, the treatment of the Detachable A Coupons would differ from that described below. U.S. Holders are advised to consult their tax advisers regarding alternative characterizations of the Detachable A Coupons.

Assuming that the Detachable A Coupons are debt for U.S. federal income tax purposes, they will bear OID. The total amount of OID on a Detachable A Coupon will be its "stated redemption price at maturity" over its "**issue price**", which is the price at which a holder purchases the Detachable A Coupon, assuming, as expected, this difference exceeds a *de minimis* amount equal to 0.25 per cent. times the weighted average life

of the Detachable A Coupons. The stated redemption price at maturity of the Detachable A Coupons is the sum of all payments expected thereon, determined in accordance with the Prepayment Assumption.

A U.S. Holder (including a cash basis holder) of Detachable A Coupons generally will be required to accrue OID on the relevant instrument for U.S. federal income tax purposes for each day on which the U.S. Holder holds such instrument. The OID accruing in any period should equal the amount by which (a) the sum of (i) the present value of all remaining distributions to be made as of the end of the period plus (ii) the distributions made during the period included in the stated redemption price at maturity, exceeds (b) the "**adjusted issue price**" as of the beginning of the period. The present value of the remaining distributions is calculated based on (x) the original yield to maturity of the Detachable A Coupon, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the Prepayment Assumption. The "**adjusted issue price**" of a Detachable A Coupon at the beginning of any accrual period is the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments made in all prior accrual periods. If OID computed as described in this paragraph is negative for any period, the U.S. Holder generally will not be allowed a current deduction for the negative amount but instead will be entitled to offset such amount only against future positive OID from the Detachable A Coupon. The accrual of OID may require holders to recognise income in advance of payments.

Foreign Currency Denominated Detachable A Coupons. OID on a Detachable A Coupon that is denominated in a foreign currency will be determined for each accrual period in that foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*Interest on the Notes — Foreign Currency Denominated Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Purchase, Sale and Retirement of Notes (other than C Notes) and Detachable A Coupons

A U.S. Holder's tax basis in a Note or Detachable A Coupon will generally be its U.S. dollar cost (as defined below) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note or Detachable A Coupon and reduced by the amount of any principal paid on the Note or amount paid on the Detachable A Coupon.

The U.S. dollar cost of a Note or Detachable A Coupon purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes or Detachable A Coupons traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note or Detachable A Coupon equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note or Detachable A Coupon. The amount realised does not include the amount attributable to accrued but unpaid interest on a Note, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes or Detachable A Coupons traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note or Detachable A Coupon equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note or Detachable A Coupon (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note or Detachable A Coupon. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement. Gain or loss in excess of the exchange rate gain or loss will be capital gain or loss. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note or Detachable A Coupon generally will be U.S.

source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes or Detachable A Coupons.

MERCs

The treatment of the MERCs for U.S. federal income tax purposes is not free from doubt. However, the Issuer believes it would be appropriate to treat the MERCs as financial contracts subject to rules similar to those applicable to the Detachable A Coupons. Under this characterization, a U.S. Holder will accrue ordinary income on the MERCs in accordance with the rules described above using the Prepayment Assumption for the MERCs.

U.S. Holders should be aware that no ruling will be obtained from the IRS with respect to the characterization of the MERCs and no assurance can be given that the IRS will agree with the characterizations described above. As noted above, alternative characterization for the MERCS include debt or equity of the Issuer or notional principal contracts. Prospective U.S. Holders are urged to consult their own tax advisors with respect to the characterization of the MERCs.

C Notes

Interest. The following discussion assumes that C Notes should be treated as equity in the Issuer. Interest on the C Notes will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations or the 15 per cent. maximum rate for individuals. In addition, a portion of increasing dividends may constitute "**excess distributions**" subject to the special rules described under the PFIC rules described below. For purposes of determining a U.S. Holder's foreign tax credit limitation, dividends received from a foreign corporation generally are treated as income from sources outside the United States.

Interest paid in sterling will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the sterling is received by the U.S. Holder, regardless of whether the sterling is converted into U.S. dollars at that time. If interest received in sterling is converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Purchase, Sale and Retirement. A U.S. Holder's tax basis in a C Note will generally be its U.S. dollar cost. The U.S. dollar cost of a C Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of C Note traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

The amount realised on a sale or other disposition of a C Note for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of C Notes traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Upon a sale or other disposition of C Notes, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the C Notes. Any gain will be taxed under the PFIC rules described below. Any loss will be a capital loss, and will be a long-term capital loss if the C Notes have been held for more than one year. Any gain or loss will generally be U.S. source.

Passive Foreign Investment Company Considerations. Under the PFIC regime, a U.S. Holder will generally be subject to special rules with respect to (i) any "**excess distribution**" (generally, any distributions received by the U.S. Holder on the C Notes in a taxable year that are greater than 125 per cent. of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the C Notes), and (ii) any gain realised on the sale or other disposition of C Notes. Under these rules (a) the excess distribution or gain will be allocated rateably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Issuer is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year.

U.S. Holders can avoid the interest charge by making a mark to market election with respect to the C Notes, if the C Notes are "marketable". The C Notes will be marketable if they are regularly traded on certain U.S. stock exchanges, or on a foreign stock exchange if (i) the foreign exchange is regulated or supervised by a governmental authority of the country in which the exchange is located; (ii) the foreign exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open, fair and orderly, market, and to protect investors; (iii) the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and (iv) the rules of the exchange ensure active trading of listed stocks. For purposes of these regulations, the C Notes will be considered regularly traded during any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

A U.S. Holder that makes a mark to market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the C Notes at the close of the taxable year over the U.S. Holder's adjusted basis in the C Notes. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the C Notes over the fair market value of the C Notes at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the C Notes will be treated as ordinary income, and any losses incurred on a sale or other disposition of the C Notes will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS unless the C Notes cease to be marketable. If the Issuer is a PFIC for any year in which the U.S. Holder owns C Notes but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a "**qualified electing fund**" ("**QEF**") election to be taxed currently on its share of the PFIC's undistributed income. The Issuer does not, however, expect to provide to U.S. Holders the information regarding this income that would be necessary in order for a U.S. Holder to make a QEF election with respect to its C Notes.

A U.S. Holder must make an annual return on Internal Revenue Service Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest. Prospective investors should consult their tax advisers regarding the potential application of the PFIC regime.

Transfer Reporting Requirements. A U.S. Holder who purchases C Notes may be required to file Form 926 (or similar form) with the IRS if the purchase, when aggregated with all transfers of cash or other property made by the U.S. Holder (or any related person) to the Issuer within the preceding 12 month period, exceeds U.S.$100,000 (or its equivalent). A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10 per cent. of the gross amount paid for the C Notes (subject to a maximum penalty of

U.S.$100,000, except in cases of intentional disregard). U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the C Notes.

Disposition of Foreign Currency

Foreign currency received as interest on a Note, Detachable A Coupon or MERC or on the sale or retirement of a Note, Detachable A Coupon or MERC will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase investments or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

Payments of principal, interest and accrued OID on, and the proceeds of sale or other disposition of, Notes, Detachable A Coupons and MERCs by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") establishes fiduciary standards applicable to fiduciaries of employee benefit plans subject thereto. In addition, ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") effectively prohibit certain transactions between (a) employee benefit plans subject to ERISA, (b) plans described in section 4975(e)(1) of the Code, including individual retirement accounts or Keogh plans, and (c) any entities whose underlying assets include plan assets by reason of a plan's investment in such entities (each a "**Plan**"), and persons having certain specified relationships to such Plans (referred to as "**Parties-in-Interest**" under ERISA and as "**Disqualified Persons**" under the Code).

The United States Department of Labor ("**DOL**") has issued a regulation (29 C.F.R. Section 2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the "**Plan Assets Regulation**"). Under the Plan Assets Regulation, the underlying assets of an entity in which a Plan purchases or holds an "**equity interest**" generally will be deemed for purposes of ERISA and Section 4975 of the Code to be assets of the investing Plan unless certain exceptions apply.

The Plan Assets Regulation defines an "**equity interest**" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Although it is not free from doubt, the Issuer will treat the A Notes, M Notes, B Notes and Detachable A Coupons offered hereby as indebtedness (and not as "**equity interests**") for the purposes of the Plan Assets Regulation at the time of their issuance by reason of the terms and form of such Notes or Detachable A Coupons and the probability of payment of principal and interest on such Notes or Detachable A Coupons (as reflected by the credit ratings assigned to such Notes or Detachable A Coupons by the applicable rating agencies). The treatment of the A Notes, M Notes, B Notes and Detachable A Coupons as not constituting equity for purposes of the Plan Assets Regulation depends on the circumstances and therefore may change in the event the Issuer incurs losses in respect of the assets held by the Issuer.

By contrast, the C Notes and the MERCs might be treated as possessing "**substantial equity characteristics**" and thereby treated as "**equity interests**" for purposes of the Plan Assets Regulation. Accordingly, the C Notes and the MERCs, and any interest therein, may not be purchased or held by or transferred to a Plan or other benefit plan subject to any substantially similar law.

Even assuming that the A Notes, the M Notes, the B Notes and Detachable A Coupons will not be treated as "**equity interests**" under the Plan Assets Regulation, it is possible that an investment in such Notes or Detachable A Coupons by a Plan (or with the use of the assets of a Plan) could be treated as a prohibited transaction under ERISA or the Code (e.g. the indirect transfer to, or use by or for the benefit of, a Party-in-Interest or Disqualified Person of the assets of the Plan). Such transaction, however, may be subject to a statutory or administrative exemption, including Prohibited Transaction Class Exemption ("**PTCE**") 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a "**qualified professional asset manager**"; and PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "**in-house asset manager**". Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with an investment by a Plan.

Each purchaser of the A Notes, the M Notes, the B Notes and Detachable A Coupons will be deemed to have represented and agreed that (i) either it is not purchasing or holding such Notes or Detachable A Coupons with the assets of any Plan or that one or more exemptions applies such that the use of such assets will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, and (ii) with respect to transfers, it will either not transfer such Notes or Detachable A Coupons to a transferee purchasing such Notes

or Detachable A Coupons with the assets of any Plan, or one or more exemptions applies such that the use of such assets will not result in a non-exempt prohibited transaction. Any Plan fiduciary that proposes to cause a Plan to purchase such instruments should consult with its counsel with respect to the potential applicability of ERISA and Section 4975 of the Code to such investment, the applicability of any exemption, and determine on its own whether all conditions of such exemption or exemptions have been satisfied. The C Notes and the MERCs, and any interest therein, may not be purchased or held by or transferred to a Plan that is subject to the prohibited transaction provisions of ERISA or Section 4975 of the Code or to any other benefit plan subject to any substantially similar law.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

None of the Notes, the Detachable A Coupons or the MERCs will constitute "**mortgage related securities**" under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterisation of the Notes, the Detachable A Coupons or the MERCs for legal investment purposes, financial institution regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes, the Detachable A Coupons or the MERCs under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes, the Detachable A Coupons and the MERCs. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their own legal advisors in determining whether and to what extent the Notes, the Detachable A Coupons and the MERCs constitute legal investments or are subject to investment, capital or other restrictions.

PURCHASE AND SALE

The Lead Managers, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International Limited, The Royal Bank of Scotland plc and WestLB AG (each a "**Co-Manager**" and, together with the Lead Managers, the "**Managers**") have, entered into a purchase agreement dated on or about 5 July 2006 among, *inter alios*, the Managers, the Issuer, Norland DACS 22 Limited (the "**Seller**") and KML (the "**Co-Managed Note Purchase Agreement**"), pursuant to which the Managers have agreed jointly and severally with the Issuer to purchase the A3a Notes (including the Detachable A3a Coupons). The issue price payable by the Managers in respect of the A3a Notes (including the Detachable A3a Coupons) is 100 per cent. of their principal amount plus a premium of 3.53 per cent. The Issuer will pay to the Managers a combined management and underwriting fee of 0.08 per cent. of the aggregate principal amount of the A3a Notes and a selling commission of 0.08 per cent. of the aggregate principal amount of the A3a Notes.

The Managers have pursuant to a purchase agreement dated on or about 5 July 2006 between, *inter alios*, the Lead Managers, the Issuer, the Seller and KML (the "**Joint Managed Note Purchase Agreement**") agreed to purchase the A1a Notes, the A1b Notes, the A1c Notes, the A2c Notes, the A3c Notes, the M Notes and the B Notes. The issue price payable by the Lead Managers in respect of the A1a Notes (including the Detachable A1a Coupons) is 100 per cent. of their principal amount plus a premium of 1.01 per cent., the issue price payable in respect of the A1b Notes (including the Detachable A1b Coupons) is 100 per cent. of their principal amount plus a premium of 1.01 per cent., the issue price payable in respect of the A1c Notes (including the Detachable A1c Coupons) is 100 per cent. of their principal amount plus a premium of 1.01 per cent., the issue price payable in respect of the A2c Notes (including the Detachable A2c Coupons) is 100 per cent. of their principal amount plus a premium of 2.12 per cent., the issue price payable in respect of the A3c Notes (including the Detachable A3c Coupons) is 100 per cent. of their principal amount plus a premium of 3.53 per cent., the issue price payable in respect of the M Notes is 100 per cent. of their principal amount and the issue price payable in respect of B Notes is 100 per cent. of their principal amount.

The Issuer will pay to the Lead Managers a combined management and underwriting fee of 0.04 per cent. of the aggregate principal amount of the A1a Notes and a selling commission of 0.04 per cent. of the aggregate principal amount of the A1a Notes, a combined management and underwriting fee of 0.04 per cent. of the aggregate principal amount of the A1b Notes and a selling commission of 0.04 per cent. of the aggregate principal amount of the A1b Notes, a combined management and underwriting fee of 0.04 per cent. of the aggregate principal amount of the A1c Notes and a selling commission of 0.04 per cent. of the aggregate principal amount of the A1c Notes, a combined management and underwriting fee of 0.0575 per cent. of the aggregate principal amount of the A2c Notes and a selling commission of 0.0575 per cent. of the aggregate principal amount of the A2c Notes, a combined management and underwriting fee of 0.08 per cent. of the aggregate principal amount of the A3a Notes and a selling commission of 0.08 per cent. of the aggregate principal amount of the A3a Notes, a combined management and underwriting fee of 0.08 per cent. of the aggregate principal amount of the A3c Notes and a selling commission of 0.08 per cent. of the aggregate principal amount of the A3c Notes, a combined management and underwriting fee of 0.10 per cent. of the aggregate principal amount of the M1a Notes and a selling commission of 0.10 per cent. of the aggregate principal amount of the M1a Notes, a combined management and underwriting fee of 0.10 per cent. of the aggregate principal amount of the M1c Notes and a selling commission of 0.10 per cent. of the aggregate principal amount of the M1c Notes, a combined management and underwriting fee of 0.175 per cent. of the aggregate principal amount of the M2a Notes and a selling commission of 0.175 per cent. of the aggregate principal amount of the M2a Notes, a combined management and underwriting fee of 0.175 per cent. of the aggregate principal amount of the M2c Notes and a selling commission of 0.175 per cent. of the aggregate principal amount of the M2c Notes, a combined management and underwriting fee of 0.375 per cent. of the aggregate principal amount of the B1a Notes and a selling commission of 0.375 per cent. of the aggregate principal amount of the B1a Notes, a combined management and underwriting fee of 0.375 per cent. of the aggregate principal amount of the B1c Notes and a selling commission of 0.375 per cent. of the aggregate

principal amount of the B1c Notes and a combined management and underwriting fee of 0.70 per cent. of the aggregate principal amount of the B2 Notes and a selling commission of 0.70 per cent. of the aggregate principal amount of the B2 Notes.

DACS 22, has, pursuant to a purchase agreement dated on or about 5 July 2006 between DACS 22 and the Issuer (the "**Class C Note Purchase Agreement**" and, together with the Co-Managed Note Purchase Agreement, and the Joint Managed Note Purchase Agreement, the "**Purchase Agreements**"), agreed to purchase the C Notes partly paid at the issue price of 100 per cent. of their principal amount. The MERCs will be delivered to, or to the order of, DACS 22 as part of the consideration for the purchase of the Completion Mortgage Pool (see "*Use of Proceeds*"). No monetary amounts will be received by the Issuer in respect of the issue of the MERCs and therefore no net proceeds will be received by the Issuer in respect of such instruments. It is contemplated, as set out in "*Terms and Conditions of the Notes — Coupons Stripping*" above, that the Detachable A Coupons may be separated from the A Notes at any time on or after the Initial Issue Date. The Detachable A Coupons may subsequently be purchased by DACS 22 from the Lead Managers.

The Co-Managed Note Purchase Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the A3a Notes to the Issuer. The Joint Managed Note Purchase Agreement is subject to a number of conditions and may be terminated by the Lead Managers in certain circumstances prior to payment for the A1 Notes, A2c Notes, A3c Notes, M Notes or B Notes to the Issuer. The Issuer and KML have agreed to indemnify the Managers (in the case of the A3a Notes), and the Lead Managers (in the case of the A1 Notes, A2c Notes, A3c Notes, M Notes and the B Notes) against certain liabilities in connection with the issue of the A1 Notes, A2c Notes, A3c Notes, M1 Notes, M2 Notes, B1 Notes or B2 Notes. The Class C Note Purchase Agreement is subject to a number of conditions and may be terminated by DACS 22 in certain circumstances prior to payment for the C Notes to the Issuer. The Issuer has agreed to indemnify DACS 22 against certain liabilities in connection with the issue of the C Notes.

The United States

The Co-Managed Note Purchase Agreement and the Joint Managed Note Purchase Agreement will each provide that the Lead Managers, through their selling agents, propose to resell a portion of the A Notes, M Notes and B Notes in the United States to persons reasonably believed to be "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act.

The Notes, the Detachable A Coupons and the MERCs have not been and will not be registered under the Securities Act or any state securities laws. The Notes, the Detachable A Coupons and the MERCs may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes, the Detachable A Coupons and the MERCs are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States tax regulations. Terms used in this paragraph have the meaning given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Manager (in the case of the A3a Notes) and each Lead Manager (in the case of the A1 Notes, A2c Notes, A3c Notes, M Notes and B Notes) has agreed that, except as permitted by the Purchase Agreements, it will not offer, sell or deliver the A Notes, Detachable A Coupons, M Notes or B Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of commencement of the offering and the closing date for the offering thereof (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of a U.S. person (except in accordance with Rule 903 of Regulation S), and it will have sent to each distributor, dealer or other person to which it sells the A Notes,

Detachable A Coupons, M Notes or B Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the A Notes, Detachable A Coupons, M Notes or B Notes within the United States or to, or for the account or benefit, of U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Co-Managed Note Purchase Agreement and the Joint Managed Note Purchase Agreement will each provide that the Lead Managers, through their selling agents, may resell A Notes, Detachable A Coupons, M Notes and B Notes in the United States to persons reasonably believed to be "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes, Detachable A Coupons and MERCs within the United States by any dealer not participating in this offering may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Manager (in the case of the A3a Notes) and each Lead Manager (in the case of the A1 Notes, A2c Notes, A3c Notes, M Notes and B Notes) has represented to and agreed with the Issuer that:

(a) it has complied and will comply with all applicable provisions of the FSM Act with respect to anything done by it in relation to the A Notes (including the Detachable A Coupons), M Notes or B Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSM Act) received by it in connection with the issue or sale of any A Notes, M Notes or B Notes in circumstances in which Section 21(1) of the FSM Act does not apply to the Issuer.

DACS 22 has given similar representations and conditions in respect of the C Notes as are given by each of the Managers for the A3a Notes.

The Netherlands

Each Manager has represented, warranted and agreed that the Notes (or interest therein) may not, have not and will not, directly or indirectly, be offered, sold, pledged, transferred or delivered in the Netherlands, whether at their initial distribution or at any time thereafter, and neither this Prospectus nor any other document in respect of any offering may be distributed or circulated in the Netherlands, other than to professional market parties within the meaning of the Exemption Regulation pursuant to the Dutch Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wtk 1992*) (which includes, *inter alia*, qualified investors as defined in the Prospectus Directive such as banks, insurance companies, securities firms, collective investment undertakings and pension funds), provided that these parties acquire the relevant Notes for their own account.

Each person or legal entity, by purchasing one or more of the Notes (or any interest therein), will be deemed to have represented and agreed for the benefit of the Issuer as set forth in the following legend (which shall be placed on each Note, whether or not offered to Dutch residents):

ANY PERSON WHO HOLDS (A BENEFICIAL INTEREST IN) THIS OBLIGATION SHALL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A PROFESSIONAL MARKET PARTY, AND IS ACQUIRING THIS NOTE (OR ANY INTEREST THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PROFESSIONAL MARKET PARTY, AS DEFINED IN SECTION 1 SUB E OF THE EXEMPTION REGULATION PURSUANT TO THE DUTCH ACT ON THE SUPERVISION OF THE CREDIT SYSTEM 1992 (VRIJSTELLINGSREGELING WTK 1992), AND IS FURTHER REPRESENTING AND AGREEING THAT (i) IT MAY NOT OFFER, SELL, PLEDGE, TRANSFER OR DELIVER (A BENEFICIAL INTEREST IN) THIS OBLIGATION TO ANY RESIDENT OF THE

NETHERLANDS WHO IS NOT SUCH A PROFESSIONAL MARKET PARTY AND (ii) IT WILL PROVIDE NOTICE OF THIS RESTRICTION TO ANY SUBSEQUENT TRANSFEREE.

Italy

Offers of the Notes in the Republic of Italy ("**Italy**") have not been and will not have been registered with the Commissione Nazionale per le Società e la Borsa ("**Consob**") pursuant to Italian securities legislation and, accordingly, the Notes shall not be offered in Italy in a solicitation to the public at large within the meaning of Article 1, paragraph 1, letter (t) of legislative decree No. 58 of 24 February 1998. In any case the Notes shall not be placed, sold and/or offered either in the primary or in the secondary market to physical individuals resident in Italy. Sales of the Notes in Italy will only be (i) negotiated on an individual basis with "Professional Investors" ("**Operatori Qualificati**") other than physical persons, as defined under Article 31, paragraph 2 of Consob Regulation No. 11522 of 1 July 1998 as amended, (ii) effected in compliance with Article 129 of the Legislative Decree No. 385 of 1 September 1993 and the implementing instructions of the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities applies; (iii) effected in accordance with any other securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed by Consob or the Bank of Italy; (iv) and made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the relevant provisions of Italian law.

Spain

Neither the Notes nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of article 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Belgium

This Prospectus and related documents are not intended to constitute a public offer in Belgium and may not be distributed to the public in Belgium. The Belgian Banking, Finance and Insurance Commission has not reviewed nor approved these documents or commented as to their accuracy or adequacy or recommended or endorsed the purchase of the Notes.

Each Manager has agreed that it will not:

1. offer for sale, sell or market in Belgium such Notes by means with a public character within the meaning of the Royal Decree of 7 July 1999 on the public character of financial transactions; or

2. offer for sale, sell or market in Belgium such Notes by means of a public offer within the meaning of the Law of 22 April 2003 on the public offer of securities; or

3. sell Notes to any person qualifying as a consumer within the meaning of Article 1.7 of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

Ireland

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell any Notes except in conformity with the provisions of the Prospectus Regulations and the Irish Companies Acts. 1963 to 2005;

(b) it has and will not offer or sell any Notes other than in compliance with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005; and

(c) it will not underwrite the issue of, or place. the Notes, otherwise in conformity with the provisions of the Irish Intermediaries Act 1995, as amended, including without limitations, Sections 9 and 23 thereof and any codes of conduct rules made under Section 37 thereof and the provision of the Investor Compensation Act, 1998.

General

No action has been taken by the Issuer or the Managers which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes (including the Detachable A Coupons), in any country or jurisdiction where action for that purpose is required and neither this Prospectus nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with the applicable laws and regulations.

GENERAL INFORMATION

(1) The issue of the Notes and MERCs has been authorised by resolution of the Board of Directors of the Issuer passed on 28 June 2006.

(2) It is expected that the Notes and MERCs will be admitted to the Official List and admitted for trading on the Irish Stock Exchange on or around 7 July 2006, subject only to issue of the Global Notes of each class of Notes and the Global MERCs. Prior to Official Listing, however, dealings in the Notes and MERCs will be permitted by the Irish Stock Exchange in accordance with its rules. The issue will be cancelled if the Global Notes or Global MERCs are not issued.

(3) The Notes, Detachable A Coupons and MERCs have been accepted for clearance through Euroclear, Clearstream and DTC as follows:

	Common Code Reg S	ISIN Reg S (Clearstream/Euro clear)	ISIN Rule 144A	CUSIP 144A (DTC)	Common Code Rule 144A
A1a	25941420	XS0259414208	US76113CAC10	76113C AC 1	26008824
A1b	25941454	XS0259414547	US76113CAA53	76113C AA 5	26008956
A1c	25941527	XS0259415270	US76113CAD92	76113C AD 9	26009006
A2c	25941748	XS0259417482	US76113CAE75	76113C AE 7	26009090
A3a	25941756	XS0259417565	US76113CAF41	76113C AF 4	26009120
A3c	25941829	XS0259418290	US76113CAG24	76113C AG 2	26009138
Detachable A1a-2009 Coupons	25942221	XS0259422219	US76113CAR88	76113C AR 8	26009600
Detachable A1a-2011 Coupons	25942817	XS0259428174	US76113CAY30	76113C AY 3	26037778
Detachable A1b-2009 Coupons	25942299	XS0259422995	US76113CAS61	76113C AS 6	26009677
Detachable A1b-2011 Coupons	25942850	XS0259428505	US76113CAZ05	76113C AZ 0	26037859
Detachable A1c-2009 Coupons	25942353	XS0259423530	US76113CAT45	76113C AT 4	26009723
Detachable A1c-2011 Coupons	25942922	XS0259429222	US76113CBA45	76113C BA 4	26037875
Detachable A2c-2009 Coupons	25942400	XS0259424009	US76113CAU18	76113C AU 1	26009804
Detachable A2c-2011 Coupons	25942965	XS0259429651	US76113CBB28	76113C BB 2	26037913
Detachable A3a-2009 Coupons	25942057	XS0259420571	US76113CAV90	76113C AV 9	26009936
Detachable A3a-2011 Coupons	25943015	XS0259430154	US76113CBC01	76113C BC 0	26037948
Detachable A3c-2009 Coupons	25942701	XS0259427010	US76113CAX56	76113C AX 5	26009987
Detachable A3c-2011 Coupons	25943139	XS0259431392	US76113CBE66	76113C BE 6	26037999
M1a	25941845	XS0259418456	US76113CAH07	76113C AH 0	26009146
M1c	25941853	XS0259418530	US76113CAJ62	76113C AJ 6	26009162
M2a	25941870	XS0259418704	US76113CAK36	76113C AK 3	26009359
M2c	25941896	XS0259418969	US76113CAL19	76113C AL 1	26009383
B1a	25941956	XS0259419264	US76113CAM91	76113C AM 9	25941926
B1c	25941942	XS0259419421	US76113CAN74	76113C AN 7	26009464
B2	25941977	XS0259419777	US76113CAP23	76113C AP 2	26009502
C	25941993	XS0259419934	US76113CAQ06	76113C AQ 0	26009545
MERCs	25942035	XS0259420353	US76113CBF32	76113C BF 3	26038057

(4) The auditors of the Issuer, Deloitte & Touche, Chartered Accountants, are members of the Institute of Chartered Accountants of England and Wales. The financial year end of the Issuer is 30 November. The first statutory financial statements of the Issuer will be prepared for the period ended 30 November 2006.

(5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.

(6) In relation to this transaction the Issuer, on or about 5 July 2006, has entered into the Purchase Agreements referred to under "*Purchase and Sale*" above which are or may be material.

(7) Since 10 May 2006 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or the financial position of the Issuer.

(8) The Issuer will provide ongoing performance data on this and other transactions, being available at www.kensingtonmbs.com in electronic form.

(9) Copies of the following documents may be inspected in electronic or physical form during usual business hours at the registered office of the Issuer and the office of HSBC Institutional Trust Services (Ireland) Limited:

(a) the Memorandum and Articles of Association of the Issuer;

(b) the contracts listed in paragraph (6) above;

(c) drafts (subject to modification) or, if available, final versions of the following documents:

(i) the Master Securitisation Agreement (incorporating the Paying Agency Agreement, the Cash/Bond Administration Agreement, the Standby Cash/Bond Administration Agreement, the Mortgage Administration Agreement, the Special Servicer Agreement, the Standby Servicer Agreement, the Liquidity Facility Agreement, the Post Enforcement Call Option, the Bank Agreement and the Guaranteed Investment Contract);

(ii) the Trust Deed;

(iii) the Depository Agreement;

(iv) the Exchange Rate Agency Agreement;

(v) the Deed of Charge;

(vi) the Currency Swap Agreements;

(vii) the Basis Swap Agreement;

(viii) the Interest Rate Cap Agreement;

(ix) the Fixed Rate Swap Agreements;

(x) the Mortgage Sale Agreements;

(xi) the Master Definitions Schedule;

(xii) the Collection Accounts Declarations of Trust;

(xiii) the Co-Managed Note Purchase Agreement;

(xiv) the Joint Managed Note Purchase Agreement; and

(xv) the Class C Note Purchase Agreement.

(10) As at the date hereof, save for the issue of the Notes and the MERCs, the Issuer, since its incorporation on 6 April 2006, has not commenced operations nor prepared any accounts.

(11) The aggregate transaction fees and expenses for the issue and listing of the Notes and the MERCs are estimated to be in the region of €2,671,867.

APPENDIX — FURTHER PROVISIONAL COMPLETION MORTGAGE POOL DATA

GLOSSARY

REGISTERED OFFICE OF THE ISSUER

Residential Mortgage Securities 22 plc
1 Sheldon Square
London W2 6PU

TRUSTEE

Capita Trust Company Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

CURRENCY SWAP COUNTERPARTY, INTEREST RATE CAP COUNTERPARTY AND BASIS SWAP COUNTERPARTY

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To the Issuer, the Special Servicer and the Cash/Bond Administrator

As to English Law

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London EC2Y 8HQ

As to Scots Law

Tods Murray LLP
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133 Fountainbridge
Edinburgh EH3 9AG

As to certain matters of the laws of the United States of America

Linklaters
One Silk Street
London EC2Y 8HQ

To the Trustee and the Managers

As to English Law

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As to certain matters of the laws of the United States of America

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LEAD MANAGER

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London Branch
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LEAD MANAGER

Barclays Capital
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London E14 4BB

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London E14 5HQ

DEPOSITORY

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Issuer Services
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New York
NY10018-2706

LISTING AGENT

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IFSC
Dublin 1

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HSBC House
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Harcourt Street
Dublin 2

AUDITORS TO THE ISSUER

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London EC4A 4TR