



ALBA 2006 — 1 plc

(Incorporated in England and Wales on 17 March 2006 with limited liability under Registered Number 5746554)

MORTGAGE BACKED FLOATING RATE NOTES

<u>Notes</u>	<u>Initial Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Price to Investors</u>
A1 Notes	£166,900,000	Note LIBOR + 0.09%	November 2037	100%
A2 Notes	£ 93,500,000	Note LIBOR + 0.13%	November 2037	100%
A3a Notes	£119,100,000	Note LIBOR + 0.17%	November 2037	100%
A3b Notes	£ 80,000,000	Note LIBOR + 0.14%	November 2037	100%
B Notes	£ 54,750,000	Note LIBOR + 0.27%	November 2037	100%
C Notes	£ 19,200,000	Note LIBOR + 0.48%	November 2037	100%
D Notes	£ 13,600,000	Note LIBOR + 0.95%	November 2037	100%
E Notes	£ 9,200,000	Note LIBOR + 3.25%	November 2037	100%

unconditionally and irrevocably guaranteed by CIFG Europe as to the scheduled payment of interest on the A3b Notes and as to the ultimate repayment of principal of the A3b Notes



The mortgage backed floating rate notes of Alba 2006 — 1 plc (the “**Issuer**”) will comprise £166,900,000 A1 Notes due 2037 (the “**A1 Notes**”), £93,500,000 A2 Notes due 2037 (the “**A2 Notes**”), £119,100,000 A3a Notes due 2037 (the “**A3a Notes**”), the £80,000,000 A3b Notes due 2037 (the “**A3b Notes**”) and, together with the A3a Notes, the “**A3 Notes**”) and, together with the A2 Notes and the A1 Notes, the “**A Notes**”), £54,750,000 B Notes due 2037 (the “**B Notes**”), £19,200,000 C Notes due 2037 (the “**C Notes**”), £13,600,000 D Notes due 2037 (the “**D Notes**”) and £9,200,000 E Notes due 2037 (the “**E Notes**”), and together with the A Notes, the B Notes, the C Notes and the D Notes, the “**Notes**”). The A3b Notes will be unconditionally and irrevocably guaranteed as to A3b Interest (as defined in the CIFG Note Guarantee) and A3b Ultimate Principal (as defined in the CIFG Note Guarantee) pursuant to a financial guarantee and the schedule thereto (the “**CIFG Note Guarantee**”) to be issued by CIFG Europe (“**CIFG**”) as set out in “*Form of CIFG Note Guarantee*” below. The A1 Notes, the A2 Notes, the A3a Notes, the A3b Notes, the B Notes, the C Notes, the D Notes and the E Notes shall each be defined as a “**class of Notes**”. The holders of the A1 Notes shall be defined as the “**A1 Noteholders**”, the holders of the A2 Notes shall be defined as the “**A2 Noteholders**”, the holders of the A3a Notes shall be defined as the “**A3a Noteholders**”, the holders of the A3b Notes shall be defined as “**A3b Noteholders**” and the A3a Noteholders and the A3b Noteholders shall together be defined as the “**A3 Noteholders**” and the A1 Noteholders, the A3a Noteholders and the A3b Noteholders shall together be defined as the “**A Noteholders**”. The holders of the B Notes shall be defined as the “**B Noteholders**”, the holders of the C Notes shall be defined as the “**C Noteholders**”, the holders of the D Notes shall be defined as the “**D Noteholders**” and the holders of the E Notes shall be defined as the “**E Noteholders**”. The holders of the Notes shall be defined as the “**Noteholders**” and the holders of each class of Notes shall be defined as a “**class of Noteholders**”.

Interest is payable on the Notes, beginning on 21 August 2006 and thereafter quarterly in arrear on the 21st day of November, February, May and August 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, a “**Payment Date**”). Interest on the A1 Notes shall accrue at an annual rate of the London Interbank Offered Rate (“**LIBOR**”) for deposits in sterling for three months or in the case of the first Interest Period, at an annual rate obtained upon interpolation of LIBOR for 2 month sterling deposits and LIBOR for 3 month sterling deposits (“**Note LIBOR**”) plus 0.09 per cent. per annum. Interest on the A2 Notes shall accrue at an annual rate of Note LIBOR plus 0.13 per cent. per annum. Interest on the A3a Notes shall accrue at an annual rate of Note LIBOR plus 0.17 per cent. per annum. Interest on the A3b Notes shall accrue at an annual rate of Note LIBOR plus 0.14 per cent. per annum. Interest on the B Notes shall accrue at an annual rate of Note LIBOR plus 0.27 per cent. per annum. Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 0.48 per cent. per annum. Interest on the D Notes shall accrue at an annual rate of Note LIBOR plus 0.95 per cent. per annum. Interest on the E Notes shall accrue at an annual rate of Note LIBOR plus 3.25 per cent. per annum. The Notes will be issued on or about 16 June 2006 (or such other later date as may be agreed between the Issuer, the Trustee and the Lead Manager) (the “**Issue Date**”).

The period from (and including) a Payment Date (or the Issue Date) to (but excluding) the next (or first) Payment Date is an “**Interest Period**”. The rate of interest payable from time to time (the “**Rate of Interest**”) in respect of each class of Notes will be determined on each Payment Date or, in the case of the first Interest Period, the Issue Date (each an “**Interest Determination Date**”).

In addition, on the Issue Date, the Issuer will issue to Oakwood Homeloans Limited mortgage early repayment certificates due 2037 (the “**MERCs**”),

£3,338,000 subordinated notes due 2037 (the “**Subordinated Notes**”) and residual certificates due 2037 (the “**R Certificates**”) and, together with the MERCs and the Subordinated Notes, the “**Instruments**”). The MERCs, the Subordinated Notes and the R Certificates shall each be defined as a “**class of Instruments**”. The holders of the MERCs shall be defined as the “**MERC Holders**”. The holders of the Subordinated Notes shall be defined as the “**Subordinated Noteholders**”. The holders of the R Certificates shall be defined as the “**R Certificateholders**”. The holders of the Instruments shall be defined as the “**Instrumentholders**” and the holders of each class of Instruments shall be defined as a “**class of Instrumentholders**”.

Each MERC will pay on each Payment Date an amount (each such payment a “**MERC Holder Payment**”) equal to the aggregate of Mortgage Early Repayment Charges (other than Ported Mortgage Early Repayment Charges) received by the Issuer from Borrowers in the three Collection Periods immediately preceding the relevant Payment Date divided by the number of MERCs existing on the third Business Day prior to the relevant Payment Date (each such date, a “**Calculation Date**”).

Arranger, Lead Manager and Bookrunner



The date of these Listing Particulars is 14 June 2006

Interest is payable on the Subordinated Notes, beginning on 21 August 2006 and thereafter quarterly in arrear on each Payment Date and shall accrue at an annual rate of Note LIBOR plus 5 per cent. per annum.

Each R Certificate will pay on each Payment Date a *pro rata* amount equal to the residual amount available for such purpose in accordance with the relevant Priority of Payments (following payment of or provision for all higher rating items) (each such payment a “**Residual Payment**”) divided by the number of R Certificates existing on the Calculation Date prior to the relevant Payment Date.

Prior to redemption on the Payment Date falling in November 2037 (the “**Final Payment Date**”) the Notes and the Subordinated Notes will be subject to mandatory and/or optional redemption in certain circumstances. The Issuer may not purchase any Notes or Instruments.

As a condition to the issue of the A Notes, the A Notes are anticipated to be rated AAA by Fitch Ratings Ltd. (“**Fitch**”), Aaa by Moody’s Investors Service Limited (“**Moody’s**”) and AAA by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“**S&P**” and, together with Fitch and Moody’s, the “**Rating Agencies**”). The A3b Notes are anticipated to be rated, disregarding the benefit of the CIFG Note Guarantee, AAA by Fitch, Aaa by Moody’s and AAA by S&P (the “**Uninsured Ratings**”). The B Notes are anticipated to be rated AA by Fitch and AA by S&P. The C Notes are anticipated to be rated A by Fitch and A by S&P. The D Notes are anticipated to be rated BBB by Fitch, and BBB by S&P. The E Notes are anticipated to be rated BB by Fitch, and BB by S&P.

As a condition to the issue of the MERCs, the MERCs are anticipated to be rated AAA by Fitch, Aaa by Moody’s and AAA by S&P. The ratings by Fitch and Moody’s on the MERCs address the likelihood of receipt by the MERC Holders of MERC Holder Payments. However, it assumes without any independent investigation that (a) the payment of the corresponding Mortgage Early Repayment Charges is legally valid, binding and enforceable against the Borrowers and (b) such Mortgage Early Repayment Charges are actually collected from Borrowers and received by the Issuer. The rating by S&P on the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Repayment Charges actually received by the Issuer if enforceable. The issue of the Subordinated Notes and the R Certificates is not conditional upon a rating and the Issuer has not requested any rating of the Subordinated Notes or the R Certificates.

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.

Application has been made to the Irish Stock Exchange Limited (the “**Irish Stock Exchange**”) for these Listing Particulars to be approved and for the Notes and the Instruments issued hereunder to be admitted to the official list (the “**Official List**”) and to trading on its alternative securities market.

See “*Risk Factors*” below for a description of certain factors which should be considered by prospective investors in connection with an investment in the Notes and Instruments.

The Notes of each class are sold in reliance on Regulation S (“**Regulation S**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and each class of Notes will be represented initially by a temporary global note in bearer form, without coupons or talons (each a “**Temporary Global Note**”), which will be deposited with HSBC Bank plc acting through its London office as common depositary (the “**Common Depositary**”) for Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) on or about the Issue Date. Each Temporary Global Note will be exchangeable not earlier than 40 days after the Issue Date (provided that certification of non-U.S. beneficial ownership has been received) for interests in a permanent global note in bearer form, without coupons or talons, for the relevant class (each, a “**Permanent Global Note**”) and, together with each Temporary Global Note, the “**Global Notes**”). The Permanent Global Notes will also be deposited with the Common Depositary.

The Instruments of each class are sold in reliance on Regulation S and each class of Instruments will be represented on issue by a global instrument in registered form (each a “**Global Instrument**”). The Registrar will on behalf of the Issuer maintain a register in which it will register in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee of the Common Depositary for Euroclear and for Clearstream, Luxembourg, as owner of the Global Instruments. Transfers of all or any portion of the interest in the Global Instruments may be made only through the register maintained by the Registrar on behalf of the Issuer.

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes and the Global Instruments (“**Book-Entry Interests**”). Book-Entry Interests in the Global Notes and the

Global Instruments will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. Except in limited circumstances the Notes will not be available in definitive form (the “**Definitive Notes**”). Definitive Notes will be issued in bearer form only. Except in limited circumstances the Instruments will not be available in definitive form (the “**Definitive Instruments**”). Definitive Instruments will be issued in registered form only.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “**SEC**”), 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 THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE NOTES AND INSTRUMENTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS. THE NOTES AND INSTRUMENTS MAY NOT BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OR ACCOUNT OF, US 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.

These Listing Particulars are submitted to investors for use solely in connection with the consideration of the purchase of the Notes, the Instruments or other transactions exempt from registration under the Securities Act.

The Notes and the Instruments will be obligations solely of the Issuer and (other than CIFG’s obligations under the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest) will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes and the Instruments will not be obligations of, and will not be guaranteed by, or be the responsibility of, Oakwood Homeloans Limited (in its capacity as the seller of the GMAC-RFC Mortgage Loans and the KMC Mortgage Loans, the “**Seller**”, in its capacity as initial holder of the Instruments, the “**Initial Instrumentholder**” and in its capacity as the special servicer of the Mortgage Loans, the “**Special Servicer**”), Credit Suisse Securities (Europe) Limited (in its capacity as arranger, the “**Arranger**” and in its capacity as lead manager, the “**Lead Manager**”), GMAC-RFC Limited (in its capacity as originator of the GMAC-RFC Mortgage Loans, “**GMAC-RFC**”), Kensington Mortgage Company Limited (in its capacity as originator of the KMC Mortgage Loans as agent for and on behalf of Finsbury Park Mortgage Funding Limited (“**FPMF**”), “**KMC**” and, together with FPMF and GMAC-RFC, the “**Originators**”), Homeloan Management Limited (in its capacity as servicer of the Mortgage Loans, the “**Servicer**”), Law Debenture Corporate Services Limited (in its capacity as corporate services provider, the “**Corporate Services Provider**”), The Law Debenture Intermediary Corporation p.l.c. (in its capacity as share trustee, the “**Share Trustee**”), HSBC Trustee (C.I.) Limited (in its capacity as trustee, the “**Trustee**”), HSBC Bank plc (in its capacity as cash manager, the “**Cash Manager**”, in its capacity as principal paying agent, the “**Principal Paying Agent**”, in its capacity as transfer agent, the “**Transfer Agent**”, in its capacity as the custodian, the “**Custodian**”, in its capacity as agent bank, the “**Agent Bank**” and in its capacity as registrar, the “**Registrar**”), HSBC Institutional Trust Services (Ireland) Limited (in its capacity as the Irish paying agent, the “**Irish Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”), Wells Fargo Securitisation Services Limited (in its capacity as master servicer, the “**Master Servicer**”), Barclays Bank PLC (in its capacity as account bank, the “**Account Bank**” and in its capacity as the guaranteed investment contract provider, the “**GIC Provider**”), Danske Bank A/S (in its capacity as liquidity facility provider, the “**Liquidity Facility Provider**” and in its capacity as the interest rate cap provider, the “**Cap Provider**”), Credit Suisse International (in its capacity as swap counterparty, the “**Swap Counterparty**”), CIFG (other than CIFG’s obligations under the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest), Oakwood Global Assets Limited (in its capacity as holder of shares of the Issuer, “**Holdings**”) and Lathes Option Company Limited (in its capacity as post-enforcement call option counterparty, the “**Option Co.**”).

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

Each initial and subsequent purchaser of the Notes and the Instruments will be deemed, by its acceptance of such Notes or Instruments, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in these Listing Particulars and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases.

CIFG accepts responsibility for the information contained in “*Summary Information — CIFG*”, “*Summary Information — CIFG Note Guarantee*”, “*CIFG Europe*” “*Form of CIFG Note Guarantee*”, “*Appendix — Financial Statements of CIFG for the Financial Years Ended 31 December 2004 and 31 December 2005*”, paragraphs 2, 7, 9 and 11 of the section “*General Information*” below and any information incorporated by reference in such sections (together the “**CIFG Information**”). To the best of the knowledge and belief of CIFG (having taken all reasonable care to ensure that such is the case), the CIFG Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by CIFG as to the accuracy or completeness of any information contained in these Listing Particulars or any other information supplied in connection with the Notes, the Instruments or their distribution other than the CIFG Information. Other than in respect of the CIFG Information, CIFG has not separately verified the information contained herein. Each person receiving these Listing Particulars acknowledges that such person has not relied on CIFG or any of its affiliates in connection with its investigation of the information contained herein other than the CIFG Information.

Each of the Cap Provider and the Liquidity Facility Provider accepts responsibility for the information contained in “*The Cap Provider and the Liquidity Facility Provider*” and any information incorporated by reference in such section (the “**Cap Provider and Liquidity Facility Provider Information**”). To the best of the knowledge and belief of the Cap Provider and the Liquidity Facility Provider (each having taken all reasonable care to ensure that such is the case), the Cap Provider and Liquidity Facility Provider Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Cap Provider or the Liquidity Facility Provider as to the accuracy or completeness of any information contained in these Listing Particulars or any other information supplied in connection with the Notes, the Instruments or their distribution other than the Cap Provider and Liquidity Facility Provider Information. Other than in respect of the Cap Provider and Liquidity Facility Provider Information, neither the Cap Provider nor the Liquidity Facility Provider has separately verified the information contained herein. Each person receiving these Listing Particulars acknowledges that such person has not relied on the Cap Provider, the Liquidity Facility Provider or any of their respective affiliates in connection with its investigation of the information contained herein other than the Cap Provider and Liquidity Facility Provider Information.

The Swap Counterparty accepts responsibility for the information contained in “*The Swap Counterparty*” and any information incorporated by reference in such section (the “**Swap Counterparty Information**”). To the best of the knowledge and belief of the Swap Counterparty (having taken all reasonable care to ensure that such is the case), the Swap Counterparty Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Swap Counterparty as to the accuracy or completeness of any information contained in these Listing Particulars or any other information supplied in connection with the Notes, the Instruments or their distribution other than the Swap Counterparty Information. Other than in respect of the Swap Counterparty Information, the Swap Counterparty has not separately verified the information contained herein. Each person receiving these Listing Particulars acknowledges that such person has not relied on the Swap Counterparty or any of its affiliates in connection with its investigation of the information contained herein other than the Swap Counterparty Information.

These Listing Particulars do not constitute, and is not intended to be, an offer of, or an invitation by or on behalf of, the Issuer, the Seller or the Lead Manager to subscribe for or purchase any of the Notes or the Instruments. The distribution of these Listing Particulars and the offering of the Notes or the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Seller and the Lead Manager to inform themselves about and to observe such restrictions. For a description of certain further restrictions on offers and sales of the Notes and the Instruments and distribution of these Listing Particulars, see “*Subscription and Sale*”. These Listing Particulars do not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any

person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the Instruments or the distribution of these Listing Particulars in any jurisdiction where such action is required.

The Lead Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained in these Listing Particulars. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of these Listing Particulars should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes or the Instruments. Any investor in the Notes or the Instruments should be able to bear the economic risk of an investment in the Notes or the Instruments for an indefinite period of time.

No person has been authorised to give any information or to make any representation concerning the issue of the Notes or the Instruments other than those contained in these Listing Particulars. 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 Seller or the Lead Manager. Neither the delivery of these Listing Particulars nor any offer, sale or solicitation made in connection herewith shall, in any circumstances, imply that the information contained herein is correct at any time subsequent to the date of these Listing Particulars.

In these Listing Particulars, unless otherwise noted, all references to specified percentages of the Mortgage Loans are references to those Mortgage Loans as a percentage of the aggregate principal balances of the Preliminary Completion Mortgage Pool.

Payments of interest and principal in respect of the Notes and the Subordinated Notes, and payments in respect of the MERCs and the R Certificates, will be subject to any applicable withholding taxes without the Issuer being obliged to pay additional amounts therefor.

References in these Listing Particulars to “£”, “Pounds”, “sterling” or “Sterling” are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to “€”, “Euro” or “euro” are to the currency introduced at the commencement of the third stage of the European and Economic Monetary Union on 1 January 1999 pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

In connection with the issue and distribution of the Notes, Credit Suisse Securities (Europe) Limited (in such capacity, the “**Stabilising Manager**”) (and any person acting on behalf of the Stabilising Manager) for a limited period may over-allot Notes (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but, in doing so, the Stabilising Manager shall act as principal and not agent of the Issuer. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may end at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any profit or loss sustained as a consequence of any such over-allotment or stabilising shall be for the account of the Stabilising Manager.

A glossary of defined terms specifying where a capitalised word or phrase used in these Listing Particulars is defined appears on pages 213 to 220.

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SUMMARY INFORMATION

The information set out below is a summary of the principal features of the issue of the Notes and the Instruments. This summary should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in these Listing Particulars.

Prospective investors should read the entirety of these Listing Particulars carefully, especially the risks of investing in the Notes and the Instruments discussed under “*Risk Factors*”.

The Issuer

The Issuer is a public company with limited liability incorporated under the laws of England and Wales with registered number 5746554 and whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX.

The Issuer’s authorised share capital consists of 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which 49,999 are held by Holdings and one of which is held by the Share Trustee as nominee of Holdings under the terms of a declaration of trust. The entire share capital of Holdings is held by the Share Trustee under the terms of a share trust deed on trust for charitable institutions.

The Issuer has been established to acquire the Mortgage Pool as described in “*The Mortgage Pool*” below.

The Seller

The Seller is a limited liability company incorporated under the Companies Act 1985 on 2 April 2004, company number 5092310. It was established as the regulated mortgage subsidiary of Oakwood Global Finance LP for the purpose of acquiring and potentially securitising residential mortgage assets in the United Kingdom. The Seller received full regulatory authorisation to conduct mortgage business from the FSA in January 2005 (FSA number 312920). An affiliate member of the Council of Mortgage Lenders from October 2004, the Seller received confirmation of full member status in October 2005. The registered office of the Seller is 8 Clifford Street, London, W1S 2LQ.

Prior to the Issue Date, the Seller purchased the legal and beneficial title to the Mortgage Loans in the Initial Mortgage Pool and will, on the Issue Date, sell the beneficial title to the Mortgage Loans in the Completion Mortgage Pool to the Issuer. The Seller will retain and hold the legal title to the Mortgage Loans in the Mortgage Pool.

The Originators

GMAC-RFC is engaged in the business of originating, purchasing and selling residential mortgage loans to borrowers in England, Wales and Scotland (and, in the past, Northern Ireland) including main stream, buy-to-let, self-certification and non-conforming mortgage loans.

KMC and FPMF are engaged in the business of originating, purchasing and selling residential mortgage loans to borrowers in England, Wales and Scotland including 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. FPMF was established solely for the purposes of advancing or acquiring residential mortgage loans to such borrowers. FPMF is one of the eight subsidiaries of Kensington Group plc that trades under the name of Kensington Mortgage Company and its current primary business is to originate mortgage loans to borrowers described above.

None of the Originators will be liable for any of the financial obligations of the Issuer, including the payment of principal, interest or other amounts on the Notes or the Instruments and the Issuer will have no recourse to the Originators for any breach by the Originators of the terms of the Original Mortgage Sale Agreements.

The Trustee

The Trustee will be appointed pursuant to a trust deed to be entered into on or prior to the Issue Date between the Issuer, CIFG and the Trustee (the “**Trust Deed**”) as trustee on behalf of the Noteholders and the Instrumentholders. The Trustee will hold the Security for the benefit of, *inter alios*, the Noteholders and the Instrumentholders. See “*Security for the Notes and Instruments*” below.

CIFG

CIFG is a *société anonyme* incorporated in France which is authorised to issue, *inter alia*, financial guarantees, and is licensed to offer its services in the fifteen member states which comprised the European Union before the enlargement of the European Union on 1 May 2004. At the date of these Listing Particulars, CIFG's financial strength and claims paying ability is rated AAA by Fitch, Aaa by Moody's and AAA by S&P. CIFG will guarantee, pursuant to the terms of the CIFG Note Guarantee, the payment of A3b Interest and A3b Ultimate Principal.

The Mortgage Pool

Sale of Completion Mortgage Pool

The pool of residential mortgage loans to be purchased by the Issuer on the Issue Date (the "**Completion Mortgage Pool**") comprises the aggregate of:

- (a) a pool of residential mortgage loans originated by GMAC-RFC (the "**GMAC-RFC Mortgage Loans**"), purchased by the Seller from GMAC-RFC (the "**GMAC-RFC Mortgage Pool**") and to be transferred by the Seller to the Issuer pursuant to a mortgage sale agreement (the "**GMAC-RFC Pool Mortgage Sale Agreement**") to be entered into on or prior to the Issue Date between the Issuer, the Seller and the Trustee; and
- (b) a pool of residential mortgage loans originated by KMC as agent for and on behalf of FPMF (the "**KMC Mortgage Loans**" and, together with the GMAC-RFC Mortgage Loans, the Further Advances (defined below), the Converted Mortgage Loans (defined below) and the Ported Mortgage Loans (defined below), the "**Mortgage Loans**"), purchased by the Seller from KMC and FPMF (the "**KMC Mortgage Pool**" and, together with the GMAC-RFC Mortgage Pool, the "**Initial Mortgage Pool**") and to be transferred by the Seller to the Issuer pursuant to a mortgage sale agreement (the "**KMC Pool Mortgage Sale Agreement**" and, together with the GMAC-RFC Pool Mortgage Sale Agreement, the "**Mortgage Sale Agreements**") to be entered into on or prior to the Issue Date between the Issuer, the Seller and the Trustee,

other than the Mortgage Loans in each case which have been repaid in full, or in respect of which enforcement procedures have been completed or which have been repurchased by the Originators pursuant to the Original Mortgage Sale Agreements on or before the Issue Date (see "*Sale of the Mortgage Pool — Warranties and Breach of Warranties*").

Legal and beneficial title to (a) the GMAC-RFC Mortgage Loans together with the related security for their repayment (the "**GMAC-RFC Related Security**"), including the relevant mortgages (the "**GMAC-RFC Mortgages**") were purchased by the Seller from GMAC-RFC on 24 February 2006 pursuant to a mortgage sale agreement (the "**Original GMAC-RFC Pool Mortgage Sale Agreement**") dated 24 February 2006 between GMAC-RFC and the Seller and (b) the KMC Mortgage Loans together with the related security for their repayment (the "**KMC Related Security**" and, together with the GMAC-RFC Related Security, the "**Related Security**"), including the relevant mortgages (the "**KMC Mortgages**" and, together with the GMAC-RFC Mortgages, the "**Mortgages**") were purchased by the Seller from KMC and FPMF on 17 March 2006 pursuant to a mortgage sale agreement (the "**Original KMC Pool Mortgage Sale Agreement**" and, together with the Original GMAC-RFC Pool Mortgage Sale Agreement, the "**Original Mortgage Sale Agreements**") dated 17 March 2006 between KMC, FPMF and the Seller.

Each GMAC-RFC Mortgage is a mortgage of a residential property in England or Wales (a "**GMAC-RFC Property**"). Each KMC Mortgage is a mortgage of a residential property in England or Wales (a "**KMC Property**" and, together with each GMAC-RFC Property, the "**Properties**" and each a "**Property**").

The Initial Mortgage Pool as reduced by the Mortgage Loans which have been repaid in full, or in respect of which enforcement procedures have been completed or which have been repurchased by the Originators pursuant to the Original Mortgage Sale Agreements on or before the Cut-Off Date is referred to as the "**Preliminary Completion Mortgage Pool**". The Preliminary Completion Mortgage Pool comprises, in each case by value, 63.10 per cent. of GMAC-RFC Mortgage Loans and 36.90 per cent. of KMC Mortgage Loans.

The mortgage pool owned by the Issuer from time to time (the “**Mortgage Pool**”) will comprise:

- (a) the Completion Mortgage Pool;
- (b) any further advances made by the Seller to Borrowers and, after the satisfaction of certain conditions, funded by the Issuer and secured on the relevant Property (the “**Further Advances**”) in accordance with the provisions of the Mortgage Sale Agreements and the Special Servicer Agreements (see “*Servicing and Special Servicing of the Mortgage Pool — Further Advances*”);
- (c) any amounts to be released under a KMC Mortgage Loan to KMC Pool Borrowers but retained at the date of the KMC Pool Mortgage Sale Agreement pending satisfaction of certain conditions and subsequently released by the Seller, funded by the Issuer and secured on the relevant Property after the satisfaction of such conditions (the “**Retentions**”) in accordance with the provisions of the KMC Pool Mortgage Sale Agreement and the KMC Pool Special Servicer Agreement (See “*Servicing and Special Servicing of the Mortgage Pool — Retentions*”); and
- (d) any advances made by the Seller to Borrowers that have redeemed their initial Mortgage Loans and been granted new Mortgage Loans on substantially the same commercial terms within six months of the completion date of the initial Mortgage Loans for other Properties (such new Mortgage Loans, the “**Ported Mortgage Loans**”) and, after the satisfaction of certain conditions, funded by the Issuer and secured on the relevant Property in accordance with the provisions of the Mortgage Sale Agreements and the Special Servicer Agreements (see “*Servicing and Special Servicing of the Mortgage Pool — Ported Mortgage Loan*”).

Mortgage Servicing and Special Servicing

The Servicer was appointed under the terms of the servicing agreement dated 24 February 2006 relating to the GMAC-RFC Mortgage Loans between, *inter alios*, the Seller and the Servicer, to be amended on or prior to the Issue Date between, *inter alios*, the Issuer, the Seller, the Servicer, the Special Servicer and the Trustee (as so amended, the “**GMAC-RFC Pool Servicing Agreement**”) to service and administer the GMAC-RFC Mortgage Loans and the GMAC-RFC Related Security on behalf of and as agent for the Issuer, the Seller and, if so appointed following the service of an Enforcement Notice, the Trustee. The Servicer was appointed under the terms of the servicing agreement dated 17 March 2006 relating to the KMC Mortgage Loans between, *inter alios*, the Seller and the Servicer, to be amended on or prior to the Issue Date between, *inter alios*, the Issuer, the Seller, the Servicer, the Special Servicer and the Trustee (as so amended, the “**KMC Pool Servicing Agreement**” and, together with the GMAC-RFC Pool Servicing Agreement, the “**Servicing Agreements**”) to service and administer the KMC Mortgage Loans and the KMC Related Security on behalf of and as agent for the Issuer, the Seller and, if so appointed following the service of an Enforcement Notice, the Trustee.

In addition, the Servicer is obliged to report on a regular basis to the Trustee and the Issuer pursuant to the terms of the Servicing Agreements regarding the status, performance and the administration of the Mortgage Loans and other matters relating to its administrative functions as described in “*Servicing and Special Servicing of the Mortgage Pool*”.

The Special Servicer will be appointed under the terms of the special servicer agreement relating to the GMAC-RFC Mortgage Loans dated on or prior to the Issue Date between the Issuer, the Special Servicer, the Seller and the Trustee (the “**GMAC-RFC Pool Special Servicer Agreement**”) to provide certain specialist servicing and administration functions in relation to the GMAC-RFC Mortgage Loans on behalf of the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee. The Special Servicer will also be appointed under the terms of the special servicer agreement relating to the KMC Mortgage Loans dated on or prior to the Issue Date between the Issuer, the Special Servicer, the Seller and the Trustee (the “**KMC Pool Special Servicer Agreement**”, and together with the GMAC-RFC Pool Special Servicer Agreement, the “**Special Servicer Agreements**”) to provide certain specialist servicing and administration functions in relation to the KMC Mortgage Loans on behalf of and as agent for the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee. (See further “*Servicing and Special Servicing of the Mortgage Pool*”).

Neither the Servicer nor the Special Servicer will be liable for any of the financial obligations of the Issuer, including any payments of principal, interest or other amounts on the Notes or the Instruments.

Principal Features of the Notes, the Instruments and the CIFG Note Guarantee

Ranking of the Notes

The A1 Notes, the A2 Notes, the A3a Notes, the A3b Notes, the B Notes, the C Notes, the D Notes, the E Notes, the MERCs, the Subordinated Notes and the R Certificates will be constituted by the Trust Deed and will share (subject to the priority described below and the CIFG Note Guarantee in respect of the A3b Notes) in the same security.

The A Notes will be secured by the same security that will secure the B Notes, the C Notes, the D Notes, the E Notes, the MERCs, the Subordinated Notes and the R Certificates. Upon service of an Enforcement Notice by the Trustee, the A Notes will rank *pari passu* without preference or priority amongst themselves and will rank in priority to the B Notes, the C Notes, the D Notes, the E Notes, the MERCs, the Subordinated Notes and the R Certificates in point of security; the B Notes will rank *pari passu* without preference or priority amongst themselves and will rank in priority to the C Notes, the D Notes, the E Notes, the MERCs, the Subordinated Notes and the R Certificates but after the A Notes in point of security; the C Notes will rank *pari passu* without preference or priority amongst themselves and will rank in priority to the D Notes, the E Notes, the MERCs, the Subordinated Notes and the R Certificates but after the A Notes and the B Notes in point of security; the D Notes will rank *pari passu* without preference or priority amongst themselves and in priority to the E Notes, the MERCs, the Subordinated Notes and the R Certificates but after the A Notes, the B Notes and the C Notes in point of security; the E Notes will rank *pari passu* without preference or priority amongst themselves and will rank in priority to the MERCs, the Subordinated Notes and the R Certificates but after the A Notes, the B Notes, the C Notes and the D Notes in point of security; the Subordinated Notes will rank *pari passu* without preference or priority amongst themselves and will rank in priority to the R Certificates but after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes and the MERCs in point of security; and the R Certificates will rank *pari passu* without preference or priority amongst themselves and will rank after the A Notes, the B Notes, the C Notes, the D Notes, the E Notes, the MERCs and the Subordinated Notes in point of security. See “*Ranking of the Instruments*” below for a description of the ranking of the MERCs prior to and after the service of an Enforcement Notice by the Trustee.

Prior to the service of an Enforcement Notice by the Trustee, the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes and, other than when the Pro Rata Redemption Conditions are satisfied, the B Notes, the C Notes, the D Notes and the E Notes as to payment of principal; the A2 Notes will rank behind the A1 Notes but in priority to the A3a Notes and the A3b Notes and, other than when the Pro Rata Redemption Conditions are satisfied, the B Notes, the C Notes, the D Notes and the E Notes as to payment of principal; the A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes and, other than when the Pro Rata Redemption Conditions are satisfied, in priority to the B Notes, the C Notes, the D Notes and the E Notes as to payment of principal; and the A3b Notes will rank *pro rata* and *pari passu* with A3a Notes but behind the A1 Notes and the A2 Notes but other than when the Pro Rata Redemption Conditions are satisfied, in priority to the B Notes, the C Notes, the D Notes and the E Notes as to payment of principal, all to the extent described in Condition 2. The A Notes will, prior to the service of an Enforcement Notice by the Trustee, rank *pari passu* without preference or priority amongst themselves, and will rank in priority to the B Notes, the C Notes, the D Notes and the E Notes as to payment of interest, to the extent described in Condition 2.

Prior to the service of an Enforcement Notice by the Trustee and, in respect of the payment of principal other than when the Pro Rata Redemption Conditions are satisfied, the B Notes will rank behind the A Notes but in priority to the C Notes, the D Notes and the E Notes as to payment of principal and interest; the C Notes will rank behind the A Notes and the B Notes but in priority to the D Notes and the E Notes as to payment of principal and interest; the D Notes will rank behind the A Notes, the B Notes and the C Notes but in priority to the E Notes as to payment of principal and interest; and the E Notes will rank behind the A Notes, the B Notes, the C Notes and the D Notes as to payment of principal and interest, all to the extent described in Condition 2.

Prior to the service of an Enforcement Notice by the Trustee and provided that the Pro Rata Redemption Conditions are satisfied, the A Notes, the B Notes, the C Notes, the D Notes and the E Notes will rank *pari passu* and *pro rata* as to payment of principal, as described in Condition 2 save that, in such circumstances, the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes; the A2 Notes will rank in priority to the A3a Notes and the A3b Notes but behind the A1 Notes; the

A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes; and the A3b Notes will rank *pro rata* and *pari passu* with the A3a Notes but behind the A1 notes and the A2 Notes.

Ranking of the Instruments

Prior to and after the service of an Enforcement Notice by the Trustee, the MERCs will rank *pari passu* without preference or priority amongst themselves and payments thereunder will only be made from Mortgage Early Repayment Charges (other than Ported Mortgage Early Repayment Charges) received by the Issuer. Such amounts will not be available, before or after the service of an Enforcement Notice by the Trustee, for application towards payment of amounts due to Noteholders, Subordinated Noteholders or R Certificateholders. See MERC Conditions 2 and 4.

Prior to the service of an Enforcement Notice by the Trustee, the Subordinated Notes will rank *pari passu* without preference or priority amongst themselves and payments of interest and principal thereunder will rank behind payments of interest on the Notes, but will rank in priority to payments on the R Certificates to the extent described in Subordinated Note Condition 2.

Prior to the service of an Enforcement Notice by the Trustee, the R Certificates will rank *pari passu* without preference or priority amongst themselves and payments thereunder will rank behind payments of interest on the Notes and the Subordinated Notes, to the extent described in R Certificate Condition 4.

Upon the service of an Enforcement Notice by the Trustee, the Subordinated Notes will rank *pari passu* without preference or priority among themselves and will rank behind the Notes and the MERCs in point of security but will rank in priority to the R Certificates; and the R Certificates will rank *pari passu* without preference or priority among themselves and will rank behind the Notes, the MERCs and the Subordinated Notes in point of security.

CIFG Note Guarantee

On or prior to the Issue Date, CIFG will issue the CIFG Note Guarantee in favour of the Trustee (as trustee for the A3b Noteholders) subject to the satisfaction of certain conditions precedent to the issue of the A3b Notes on the Issue Date. The CIFG Note Guarantee is an unconditional and irrevocable financial guarantee in respect of the following amounts:

- (a) scheduled interest payable in respect of the A3b Notes on each Payment Date in accordance with Condition 4 (excluding any default interest and any amounts which the Issuer is obliged to deduct or withhold pursuant to Condition 8); and
- (b) ultimate principal payable in respect of the A3b Notes on the Final Payment Date in accordance with the first sentence of Condition 5(a).

Amounts described under paragraph (a) above are referred to as “**A3b Interest**”. Amounts described under paragraph (b) above are referred to as “**A3b Ultimate Principal**” (and, together with the A3b Interest, the “**Regular Payments**”).

To the extent that there are insufficient Available Revenue Funds to make payment of A3b Interest and amounts are available to be drawn under the Liquidity Facility to make such payments, the Issuer is obliged to draw all such amounts available to it thereunder before the Trustee may claim under the CIFG Note Guarantee.

The CIFG Note Guarantee will not guarantee any amounts becoming payable for any other reason, including, without limitation, the mandatory redemption in part of the A3b Notes pursuant to Condition 5(b), early redemption in full of the A3b Notes pursuant to Conditions 5(d) or 5(e) or accelerated payment pursuant to Condition 9. If payment is accelerated, CIFG’s obligations will not change and will continue to pay the Regular Payments as they fall due for payment in accordance with the terms of the CIFG Note Guarantee. CIFG will not be obliged under any circumstances to accelerate payment under the CIFG Note Guarantee. However, if it does so, it may do so in whole or in part in accordance with the CIFG Note Guarantee, as described in Condition 5(j).

None of the A1 Notes, A2 Notes, A3a Notes, B Notes, C Notes, D Notes, E Notes and none of the Instruments have the benefit of the CIFG Note Guarantee. The CIFG Note Guarantee will not guarantee any amounts other than the Regular Payments.

In connection with the CIFG Note Guarantee, on or prior to the Issue Date the Issuer and, *inter alios*, CIFG will enter into the Guarantee and Reimbursement Agreement pursuant to which the Issuer will be

obliged, *inter alia*, to reimburse CIFG in respect of payments made by CIFG under the CIFG Note Guarantee. On or about the Issue Date, the Issuer will enter into an agreement in respect of the provision of the CIFG Note Guarantee (the “**CIFG Fee Letter**”) in which it will agree to pay to CIFG a fee payable on each Payment Date calculated by reference to the Principal Amount Outstanding of the A3b Notes on the Calculation Date immediately preceding such Payment Date.

The MERCs

Amounts (if any) received by the Issuer in respect of the obligation of Borrowers to pay early repayment charges in the event that they repay all or any part of the relevant Mortgage Loan, voluntarily or to the extent recovered following an enforcement event under the relevant Mortgage Loan, at any time before the end of the term of the related Mortgage (the “**Mortgage Early Repayment Charges**”) in the three Collection Periods immediately preceding each Payment Date will be paid to the holders of the MERCs as MERC Holder Payments on such Payment Date. However, the MERC Holders will not be entitled to Mortgage Early Redemption Charges received or receivable by the Issuer in connection with Ported Mortgage Loans (which are waived or refunded to the paying Borrowers upon completion of the Ported Mortgage Loans (the “**Ported Mortgage Early Repayment Charges**”). The MERC Holder Payments will be calculated on the Calculation Date before each Payment Date.

The MERCs will be secured by the same security as the Notes and other Instruments and constitute an entitlement to amounts payable to MERC Holders on a *pro rata* basis from Mortgage Early Repayment Charges (other than Ported Mortgage Early Repayment Charges) divided by the number of MERCs existing on the Calculation Date prior to the relevant Payment Date. Following redemption of all the Notes, or an enforcement of the Security and subsequent disposal of the Charged Assets, no termination payment or other amount (other than amounts then payable in respect of MERC Holder Payments) will be payable in respect of the MERCs and, following the payment of any amounts then payable in respect of MERC Holder Payments (to be paid, after enforcement of the Security and subsequent disposal of the Charged Assets, in accordance with the Post-Enforcement Priority of Payments), the MERCs shall no longer constitute a claim against the Issuer. See MERC Condition 6. Whilst MERCs will have voting rights amongst themselves, the MERCs will carry no voting rights in respect of the Notes save that MERCs will have Instrumentholder Entrenched Rights. See “*Summary Information — Intercreditor Rights/Conflicts of Interest*”.

The Subordinated Notes

The net proceeds of the issue of the Subordinated Notes will be used to fund the initial amount of the Reserve Fund. The Subordinated Notes will be secured by the same security as the Notes and other Instruments. Payments of interest and principal on the Subordinated Notes will be made on each Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments. See Subordinated Note Conditions 2 and 5. Whilst the Subordinated Notes will have voting rights amongst themselves, the Subordinated Notes will carry no voting rights in respect of the Notes save that the Subordinated Notes will have Instrumentholder Entrenched Rights. See “*Summary Information — Intercreditor Rights/Conflicts of Interest*”.

The R Certificates

The R Certificates will be secured by the same security as the Notes and other Instruments and constitute an entitlement to amounts payable to the R Certificateholders on a *pro rata* basis from Residual Payments divided by the number of R Certificates existing on the Calculation Date prior to the relevant Payment Date. Following redemption of all the Notes, or an enforcement of the Security and subsequent disposal of all of the Charged Assets, no termination payment or other amount (other than amounts then due and payable in respect of Residual Payments) will be payable in respect of the R Certificates and, following the payment of any amounts then payable in respect of Residual Payments (to be paid, after enforcement of the Security and subsequent disposal of the Charged Assets, in accordance with the Post-Enforcement Priority of Payments), the R Certificates shall no longer constitute a claim against the Issuer. See R Certificate Condition 6. Whilst the R Certificates will have voting rights amongst themselves, the R Certificates will carry no voting rights in respect of the Notes save that the R Certificates will have Instrumentholder Entrenched Rights. See “*Summary Information — Intercreditor Rights/Conflicts of Interest*”.

Intercreditor Rights/Conflicts of Interest

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the classes of the Notes as regards all powers, trusts,

authorities, duties and discretions of the Trustee and, to the extent of any conflict between the interests of any classes of Noteholders, requiring the Trustee to have regard only to the interests of the holders of the Most Senior Class of Notes. The “**Most Senior Class**” means the A Notes whilst they remain outstanding, thereafter the B Notes whilst they remain outstanding, thereafter the C Notes whilst they remain outstanding, thereafter the D Notes whilst they remain outstanding and thereafter the E Notes whilst they remain outstanding.

The Trust Deed and Condition 11 contain provisions (i) limiting the rights of the A1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A2 Noteholders, the A3a Noteholders and the A3b Noteholders (ii) limiting the rights of the A2 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders, the A3a Noteholders and the A3b Noteholders (iii) limiting the rights of the A3a Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders, the A2 Noteholders and the A3b Noteholders and (iv) limiting the rights of the A3b Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders, the A2 Noteholders and the A3a Noteholders.

In addition, the Trust Deed and Condition 11 contain provisions limiting the powers of: the B Noteholders, the C Noteholders, the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders; the C Noteholders, the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders; the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders and/or the C Noteholders; and the E Noteholders to request or direct the Trustee to take any action to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders and/or the C Noteholders and/or the D Noteholders.

Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of (a) the A Noteholders, the exercise of which will be binding on the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (b) the B Noteholders, the exercise of which will be binding on the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (c) the C Noteholders, the exercise of which will be binding on the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (d) the D Noteholders, the exercise of which will be binding on the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; and (e) the E Noteholders, the exercise of which will be binding on the MERC Holders, the Subordinated Noteholders and the R Certificateholders.

So long as no CIFG Event of Default has occurred and is continuing (and, following a CIFG Event of Default, to the extent that CIFG is assignee and subrogee of the rights of the A3b Noteholders), the A3b Noteholders have, pursuant to Condition 11, instructed CIFG to give requests and directions to the Trustee and vote at or attend meetings of Noteholders in CIFG’s absolute discretion. For so long as such circumstances subsist, for the purposes of determining whether or not any meeting of Noteholders is quorate and counting votes cast at any such meeting of Noteholders, CIFG is, pursuant to such instruction, entitled to act as if it were the holder of all of the then aggregate Principal Amount Outstanding of the A3b Notes and the A3b Noteholders are not entitled to revoke such instruction and, accordingly, are not entitled to request or direct the Trustee or vote at or attend meetings, provided that if CIFG so acts, the Trustee shall have no liability to any Noteholder or any person in respect of any such action by CIFG.

Any resolution or direction of any class of Noteholders or Instrumentholders that would have the effect of modifying or waiving any provision of any of the Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Instrumentholders (such right of each class of Instrumentholders, the “**Instrumentholder Entrenched Rights**”).

Other than the Instrumentholder Entrenched Rights, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the MERC Holders, the Subordinated Noteholders and the R Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and the

Trustee may only be directed by the MERC Holders and/or the Subordinated Noteholders and/or the R Certificateholders and any Extraordinary Resolution of the MERC Holders and/or the Subordinated Noteholders and/or the R Certificateholders will only be effective (i) if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any class of Noteholders or any other class of Instrumentholders or (ii) the Trustee's action is sanctioned by an Extraordinary Resolution of each class of Noteholders and (in the case of the MERCs) the Subordinated Noteholders and the R Certificateholders, (in the case of the Subordinated Notes) the MERC Holders and the R Certificateholders and (in the case of the R Certificates) the MERC Holders and the Subordinated Noteholders.

Interest on the Notes

Payments of interest on the Notes shall be made quarterly in arrear on each Payment Date in respect of each related Interest Period.

Interest on the A1 Notes shall accrue at an annual rate of Note LIBOR plus 0.09 per cent. per annum.

Interest on the A2 Notes shall accrue at an annual rate of Note LIBOR plus 0.13 per cent. per annum.

Interest on the A3a Notes shall accrue at an annual rate of Note LIBOR plus 0.17 per cent. per annum.

Interest on the A3b Notes shall accrue at an annual rate of Note LIBOR plus 0.14 per cent. per annum.

Interest on the B Notes shall accrue at an annual rate of Note LIBOR plus 0.27 per cent. per annum.

Interest on the C Notes shall accrue at an annual rate of Note LIBOR plus 0.48 per cent. per annum.

Interest on the D Notes shall accrue at an annual rate of Note LIBOR plus 0.95 per cent. per annum.

Interest on the E Notes shall accrue at an annual rate of Note LIBOR plus 3.25 per cent. per annum.

Where interest on any class of Notes junior to the Most Senior Class of Notes is not paid due to a shortfall of funds available for this purpose, it will be deferred until such later Payment Date on which it can be paid in accordance with the Pre-Enforcement Interest Priority of Payments and any amount of interest so deferred will itself accrue interest, but any such deferral will cease on the Final Payment Date, when all accrued interest will become due and payable. See Condition 4(f). There will be no deferral of interest or of any other amounts due and payable on the Most Senior Class of Notes.

Interest on the Subordinated Notes

Payments of interest on the Subordinated Notes shall be made quarterly in arrear on each Payment Date in respect of each related Interest Period. Interest on the Subordinated Notes shall accrue at an annual rate of Note LIBOR plus 5 per cent. per annum.

Where interest on the Subordinated Notes is not paid due to a shortfall of funds available for this purpose, it will be deferred until such later Payment Date on which it can be paid in accordance with the Pre-Enforcement Interest Priority of Payments and any amount of interest so deferred will itself accrue interest, but any such deferral will cease on the Final Payment Date, when all accrued interest will become due and payable. See Subordinated Note Condition 4(f).

Withholding Tax

Payments of interest and principal with respect to the Notes and the Subordinated Notes, MERC Holder Payments and Residual Payments will be subject to any applicable withholding taxes and none of the Issuer, any Paying Agent, CIFG and the Custodian are obliged to pay additional amounts in relation thereto.

Optional Redemption of the Notes

The Notes are subject to redemption (in whole, but not some only) at the sole election of the Issuer but, in respect of paragraph (a) below only, at the election of the Issuer upon the direction of the holders of a majority of the then Principal Amount Outstanding of the Subordinated Notes (subject in each case to the conditions set out in Condition 5(d) and (e)) at their Principal Amount Outstanding together with accrued and unpaid interest in each of the following circumstances:

- (a) on or following any Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date (see Condition 5(d)); and

- (b) if on any Payment Date (i) the Issuer or any Paying Agent is obliged to make any withholding or deduction on account of tax from payments in respect of (1) the Notes; (2) if the Issuer is unable to enter into a replacement interest rate swap agreement in respect of which payments are not subject to withholding or deduction, the Interest Rate Swap Agreement; or (3) if the Issuer is unable to enter into a replacement interest rate cap agreement in respect of which payments are not subject to withholding or deduction, the Interest Rate Cap Agreement, (ii) the Issuer is no longer entitled to relief for tax purposes on payments under the Interest Rate Swap Agreement and/or the Interest Rate Cap Agreement and the Issuer is unable to enter into a replacement interest rate swap agreement or, as the case may be, a replacement interest rate cap agreement and, in either case, would, as a result, be subject to an increased liability to taxation for any accounting period, or (iii) in the event of certain tax changes reducing amounts payable to the Issuer in respect of interest from Borrowers under the Mortgage Loans (see Condition 5(e)).

The term “**Optional Redemption**” refers to redemption of the Notes under any of the foregoing circumstances or procedures.

Under the terms of the CIFG Note Guarantee, amounts payable in respect of the A3b Notes on the occurrence of any Optional Redemption will not be guaranteed by CIFG.

Mandatory Redemption in Part of the Notes

Prior to the service of an Enforcement Notice by the Trustee, and other than when the Pro Rata Redemption Conditions are satisfied, the Notes will be subject to mandatory redemption in part on each Payment Date in accordance with the Pre-Enforcement Sequential Principal Priority of Payments and Condition 5(b). In such circumstances, save for the A3a Notes and the A3b Notes which will be redeemed on a *pro rata* and *pari passu* basis within both classes, each class of Notes will be redeemed sequentially in descending order of seniority commencing with the A1 Notes in accordance with Condition 2(d), in each case *pro rata* and *pari passu* within each class of Notes. Prior to the service of an Enforcement Notice by the Trustee, when all of the Pro Rata Redemption Conditions are satisfied, the Notes will be subject to mandatory redemption in part on each Payment Date in accordance with the Pre-Enforcement Pro Rata Principal Priority of Payments and Condition 2. In such circumstances, the A Notes, the B Notes, the C Notes, the D Notes and the E Notes will be redeemed *pro rata* and *pari passu* amongst all classes of Notes save that, the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes; the A2 Notes will rank in priority to the A3a Notes and the A3b Notes but behind the A1 Notes; the A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes; and the A3b Notes will rank *pro rata* and *pari passu* with the A3a Notes but behind the A1 Notes and the A2 Notes.

Such mandatory redemption in part will be primarily caused by scheduled principal payments by the Borrowers and principal prepayments (whether voluntarily by the Borrowers, as a result of enforcement upon the related Property or otherwise) but not, for the avoidance of doubt, using any Mortgage Early Repayment Charges (including any Ported Mortgage Early Repayment Charges).

Under the terms of the CIFG Note Guarantee, amounts payable upon mandatory redemption in part of the A3b Notes pursuant to Condition 5(b) will not be guaranteed by CIFG.

Final Redemption of the Notes

Unless previously redeemed and cancelled in full or, where applicable, purchased following exercise of the Post-Enforcement Call Option and cancelled in full, the Notes will be redeemed on the Final Payment Date in an amount equal in each case to their then Principal Amount Outstanding together with accrued and unpaid interest in accordance with Condition 5(a).

Mandatory Redemption in Part of the Subordinated Notes

Prior to the service of an Enforcement Notice by the Trustee, the Subordinated Notes will be subject to mandatory redemption in part on each Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments and Subordinated Note Condition 5(b), in an amount equal to the lower of (a) the Cumulative Reserve Fund Excess on such Payment Date and (b) the balance of Available Revenue Funds on such Payment Date having paid or provided in full for items (i) to (xix) of the Pre-Enforcement Interest Priority of Payments.

Final Redemption of the Subordinated Notes

Unless previously redeemed and cancelled in full or purchased following exercise of the Post-Enforcement Call Option and cancelled in full, the Subordinated Notes will be redeemed on the Final Payment Date by first applying amounts (if any) remaining to the credit of the Reserve Ledger to the extent such amounts are available for this purpose in accordance with Subordinated Note Condition 5(a).

Purchases of Notes or Instruments

The Issuer shall not be entitled to purchase any Notes or Instruments. However, pursuant to the Post-Enforcement Call Option, Option Co. may purchase all (but not some only) of the Notes (other than the A Notes) and the Subordinated Notes in the circumstances described below. See Condition 5(i) and Subordinated Note Condition 5(e).

Post-Enforcement Call Option

The Trustee will (without personal liability), on the Issue Date, grant to Option Co. an option (the “**Post-Enforcement Call Option**”) pursuant to the terms of the post enforcement call option deed (the “**Post-Enforcement Call Option Deed**”) to acquire all (but not some only) of the B Notes, C Notes, D Notes, E Notes and Subordinated Notes (plus, in each case, accrued interest thereon) without the prior approval of the Noteholders or the Subordinated Noteholders for a consideration of one penny per Note or Subordinated Note outstanding, following any enforcement of the Security after the date on which the Trustee is advised that the proceeds of such enforcement are insufficient or likely to be insufficient, after payment of all other claims ranking in priority to the Subordinated Notes and after the application of any such proceeds to the Notes and Subordinated Notes, to pay any further amounts due in respect of the Notes and Subordinated Notes. The Noteholders and Subordinated Noteholders are bound by the terms of the Post-Enforcement Call Option Deed and by Condition 5(i) and Subordinated Note Condition 5(e) and the Trustee is irrevocably authorised to enter into the Post-Enforcement Call Option with Option Co. If the Post-Enforcement Call Option is exercised, the Notes (other than the A Notes) and Subordinated Notes will be purchased by Option Co for one penny per Note or Subordinated Note, as applicable.

Cancellation of MERCs and R Certificates

Subject to the prior payment to MERC Holders and R Certificateholders of all amounts then payable to them at such time, the MERCs and R Certificates will no longer constitute claims against the Issuer following the earliest to occur of a redemption of all (but not some only) of the Notes, or an enforcement of the Security and subsequent disposal of all the Charged Assets, in either case and where applicable, subject to the payment or provision of all higher ranking items in the relevant Priority of Payments.

Ratings

As a condition to the issue of the A Notes, the A Notes are anticipated to be rated AAA by Fitch, Aaa by Moody’s and AAA by S&P. The Uninsured Ratings of the A3b Notes are anticipated to be AAA by Fitch, Aaa by Moody’s and AAA by S&P. The B Notes are anticipated to be rated AA by Fitch and AA by S&P. The C Notes are anticipated to be rated A by Fitch and A by S&P. The D Notes are anticipated to be rated BBB by Fitch and BBB by S&P. The E Notes are anticipated to be rated BB by Fitch and BB by S&P. As a condition to the issue of the MERCs, the MERCs are anticipated to be rated AAA by Fitch, Aaa by Moody’s and AAA by S&P. The ratings by Fitch and Moody’s of the MERCs address the likelihood of receipt by the MERC Holders of MERC Holder Payments. However, it assumes without any independent investigation that (a) the payment of the corresponding Mortgage Early Repayment Charges is legally valid, binding and enforceable against the Borrowers and (b) such Mortgage Early Repayment Charges are actually collected from Borrowers and received by the Issuer. The rating by S&P of the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Repayment Charges actually received by the Issuer if enforceable. The issue of the R Certificates and the Subordinated Notes is not conditional upon a rating and the Issuer has not requested any rating of the R Certificates or the Subordinated Notes.

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 or all of the Rating Agencies.

Security for the Notes and the Instruments

The security for the Notes and the Instruments will be created pursuant to, and on the terms of, a security deed to be entered into between, *inter alios*, the Issuer and the Trustee and dated on or prior to the Issue Date (the “**Issuer Security Deed**”), as amended or supplemented from time to time, in favour of the Trustee on trust for, *inter alios*, the holders of the Notes and the Instruments. See Condition 2, MERC Condition 2, Subordinated Note Condition 2 and R Certificate Condition 2.

The Notes and the Instruments will be secured in favour of the Trustee, *inter alia*, by:

- (i) a first fixed charge over all the Issuer’s right, title, interest and benefit in, *inter alia*, the Mortgage Loans and Related Security;
- (ii) a first fixed charge over the Issuer’s right, title, interest and benefit in the Issuer Transaction Account and any other bank account of the Issuer from time to time;
- (iii) an assignment over all the Issuer’s right, title, interest and benefit in:
 - (a) the Mortgage Sale Agreements;
 - (b) the Servicing Agreements;
 - (c) the Special Servicer Agreements;
 - (d) the cash management, master servicing and account bank agreement dated on or prior to the Issue Date between the Issuer, the Cash Manager, the Master Servicer, the Account Bank and the Trustee (the “**Cash Management, Master Servicing and Account Bank Agreement**”);
 - (e) the paying agency agreement dated on or prior to the Issue Date between the Issuer, the Trustee, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent (the “**Paying Agency Agreement**”);
 - (f) the liquidity facility agreement dated on or prior to the Issue Date between the Issuer, the Liquidity Facility Provider, the Cash Manager, the Master Servicer and the Trustee (the “**Liquidity Facility Agreement**”);
 - (g) the guaranteed investment contract dated on or prior to the Issue Date between the Issuer, the GIC Provider, the Cash Manager, the Master Servicer, the Account Bank and the Trustee (the “**Guaranteed Investment Contract**”);
 - (h) the interest rate cap agreement dated on or prior to the Issue Date between the Issuer and the Cap Provider (the “**Interest Rate Cap Agreement**”);
 - (i) the interest rate swap agreement dated on or prior to the Issue Date between the Issuer and the Swap Counterparty (the “**Interest Rate Swap Agreement**”);
 - (j) the declaration of trust by the Seller dated on or prior to the Issue Date over the Collection Accounts (the “**Collection Accounts Declaration of Trust**”);
 - (k) the corporate services agreement dated on or prior to the Issue Date between the Issuer, the Corporate Services Provider, the Share Trustee and the Trustee (the “**Corporate Services Agreement**”);
 - (l) the financial guarantee dated on or prior to the Issue Date issued by CIFG in favour of the Trustee (as trustee for the A3b Noteholders) (the “**CIFG Note Guarantee**”);
 - (m) the guarantee and reimbursement agreement dated on or prior to the Issue Date between the Issuer, the Seller and CIFG (the “**Guarantee and Reimbursement Agreement**”);
 - (n) the memorandum of incorporated terms dated on or prior to the Issue Date between, *inter alios*, the Issuer and the Trustee (the “**Incorporated Terms Memorandum**” and, together with the documents listed at paragraphs (a) to (m) above and the Post-Enforcement Call Option Deed, the Trust Deed and the Custodian Agreement, the “**Transaction Documents**”);
 - (o) the Insurance Policies; and
 - (p) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time; and
- (iv) a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property, assets and rights of the Issuer which are not, at any time, covered by the fixed security described above.

The fixed and floating charges described above are together the “**Security**”, and such assets of the Issuer subject to the Security are together the “**Charged Assets**”. As a matter of English law, certain of the charges which are expressed as fixed charges may only take effect as floating charges.

The Charged Assets will also secure amounts payable by the Issuer to any receiver, the Trustee, the Servicer, the Account Bank, the Liquidity Facility Provider, the Swap Counterparty, the Cap Provider, the GIC Provider, CIFG, the Special Servicer, the Cash Manager, the Master Servicer, the Corporate Services Provider, the Custodian, the Paying Agents, the Agent Bank, the Transfer Agent and the Registrar pursuant to the Issuer Security Deed, the Trust Deed, the Servicing Agreements, the Cash Management, Master Servicing and Account Bank Agreement, the Liquidity Facility Agreement, the Interest Rate Swap Agreement, the Interest Rate Cap Agreement, the Guaranteed Investment Contract, the CIFG Fee Letter, the Guarantee and Reimbursement Agreement, the Special Servicer Agreements, the Corporate Services Agreement, the Custodian Agreement and the Paying Agency Agreement according to their respective interests (such parties, together with the Noteholders and the Instrumentholders, the “**Secured Parties**”).

Prior to termination of the Interest Rate Swap Agreement or the Interest Rate Cap Agreement (as the case may be), any collateral provided to the Issuer by the Swap Counterparty or the Cap Provider will not form part of the Charged Assets but will be held by the Issuer on trust for itself and the Swap Counterparty or the Cap Provider, as appropriate, and will be applied in accordance with the terms of the relevant collateral agreement providing for the payment of such collateral. Following termination of the Interest Rate Swap Agreement or the Interest Rate Cap Agreement (as the case may be), the collateral provided by the Swap Counterparty or the Cap Provider, respectively, shall be available to (a) satisfy any termination payment due to the Swap Counterparty or the Cap Provider (as the case may be); (b) meet the cost of entering into any replacement transaction(s); or (c) form part of the Issuer’s Available Revenue Funds, in such order of priority.

The Issuer Security Deed will contain provisions regulating the priority of application of the Charged Assets (and proceeds thereof) among the persons entitled thereto after the service of an Enforcement Notice by the Trustee. Such priorities are described in Condition 2.

Credit Structure

Cash Management and Master Servicing

The Cash Manager will be appointed under the terms of the Cash Management, Master Servicing and Account Bank Agreement to manage all cash transactions and maintain cash management ledgers on behalf of, and as agent for, the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee. The Master Servicer will be appointed under the terms of the Cash Management, Master Servicing and Account Bank Agreement to provide bond administration, investor and portfolio reporting and the related calculations on behalf of, and as agent for, the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee. The Account Bank will be appointed as account bank under the terms of the Cash Management, Master Servicing and Account Bank Agreement to provide to the Issuer certain account bank services.

Bank Accounts

The borrowers under the GMAC-RFC Mortgage Loans (the “**GMAC-RFC Pool Borrowers**”) will be required to make all payments into an account in the name of the Seller (the “**GMAC-RFC Pool Collection Account**”) and the borrowers under the KMC Mortgage Loans (the “**KMC Pool Borrowers**”) and, together with the GMAC-RFC Pool Borrowers, the “**Borrowers**”) will be required to make all payments into a separate account in the name of the Seller (the “**KMC Pool Collection Account**”) and, together with the GMAC-RFC Pool Collection Account, the “**Collection Accounts**”). Payments due on the majority of the Mortgage Loans are settled by direct debit. The payments due from the Borrowers collected by direct debit are deposited into the GMAC-RFC Pool Collection Account or the KMC Pool Collection Account, as appropriate. Amounts standing to the credit of the Collection Accounts will be swept on a daily basis into the Issuer Transaction Account (as more particularly described under “*Credit Structure — Collection Accounts*”).

Guaranteed Investment Contract

Pursuant to the terms of the Guaranteed Investment Contract, the GIC Provider will guarantee a rate of return on funds standing to the credit of the Issuer Transaction Account. Interest on the balance will

accrue daily and the GIC Provider will deposit such amounts into the Issuer Transaction Account at the end of each GIC Period (as more particularly described under “*Credit Structure — Issuer Transaction Account and Guaranteed Investment Contract*”).

Reserve Fund

The Reserve Fund will be available to the Issuer to make good certain shortfalls in the funds available to the Issuer to meet the Senior Payments including shortfalls of interest payable on the Notes and Principal Deficiencies. The initial amount of the Reserve Fund will, on the Issue Date, be funded from the net proceeds of the Subordinated Notes (as more particularly described under “*Credit Structure — Reserve Fund*”).

Liquidity Facility

The Liquidity Facility Provider will make available to the Issuer the Liquidity Facility pursuant to the Liquidity Facility Agreement to make good Revenue Shortfalls (as more particularly described under “*Credit Structure — Liquidity Facility*”).

Interest Rate Swap

In order to hedge the interest rate risk arising by virtue of the difference between the Bank of England repo rate by reference to which the Mortgage Rate is calculated under the Bank of England Repo Rate-Linked Mortgage Loans (save for the Fixed Reverting to SVR Mortgage Loans, to the extent they accrue a fixed rate of interest) and Note LIBOR, the Issuer will on the Issue Date enter into an interest rate basis swap transaction (the “**BBR — LIBOR Basis Swap Transaction**”) with the Swap Counterparty pursuant to the Interest Rate Swap Agreement. Under the BBR — LIBOR Basis Swap Transaction, the Issuer and the Swap Counterparty will make payments to each other based on the aggregate outstanding principal balance of the performing and delinquent but not defaulted (the “**Non Defaulted**”) Bank of England Repo Rate-Linked Mortgage Loans (save for the Fixed Reverting to SVR Mortgage Loans to the extent they accrue a fixed rate of interest) in the Mortgage Pool (as more particularly described under “*Credit Structure — Interest Rate Swap Agreement*”).

In order to hedge the interest rate risk arising by virtue of the difference between LIBOR by reference to which the Mortgage Rate is calculated under the LIBOR-Linked Mortgage Loans (save for the Fixed Reverting to KVR Mortgage Loans, to the extent they accrue a fixed rate of interest) and Note LIBOR, the Issuer will on the Issue Date enter into an interest rate basis swap transaction (the “**LIBOR Basis Swap Transaction**”) with the Swap Counterparty pursuant to the Interest Rate Swap Agreement. Under the LIBOR Basis Swap Transaction, the Issuer and the Swap Counterparty will make payments to each other based on the aggregate outstanding principal balance of the Non Defaulted LIBOR-Linked Mortgage Loans (save for the Fixed Reverting to KVR Mortgage Loans to the extent they accrue a fixed rate of interest) in the Mortgage Pool (as more particularly described under “*Credit Structure — Interest Rate Swap Agreement*”).

In order to hedge the interest rate risk arising by virtue of the difference between the fixed rates (within the fixed rate period) by reference to which the Mortgage Rate is calculated under the Fixed Reverting to SVR Mortgage Loans in the GMAC-RFC Mortgage Pool and the Fixed Reverting to KVR Mortgage Loans in the KMC Mortgage Pool and Note LIBOR, the Issuer will on the Issue Date enter into an interest rate swap transaction (the “**Fixed — LIBOR Swap Transaction**” and, together with the BBR-LIBOR Basis Swap Transaction and the LIBOR Basis Swap Transaction, the “**Swap Transactions**”) with the Swap Counterparty pursuant to the Interest Rate Swap Agreement. Under the Fixed — LIBOR Swap Transaction, the Issuer and the Swap Counterparty will make payments to each other based on the aggregate outstanding principal balance of the Non Defaulted Fixed Reverting to SVR Mortgage Loans in the GMAC-RFC Mortgage Pool and the Fixed Reverting to KVR Mortgage Loans in the KMC Mortgage Pool for so long as they accrue a fixed rate of interest (as more particularly described under “*Credit Structure — Interest Rate Swap Agreement*”).

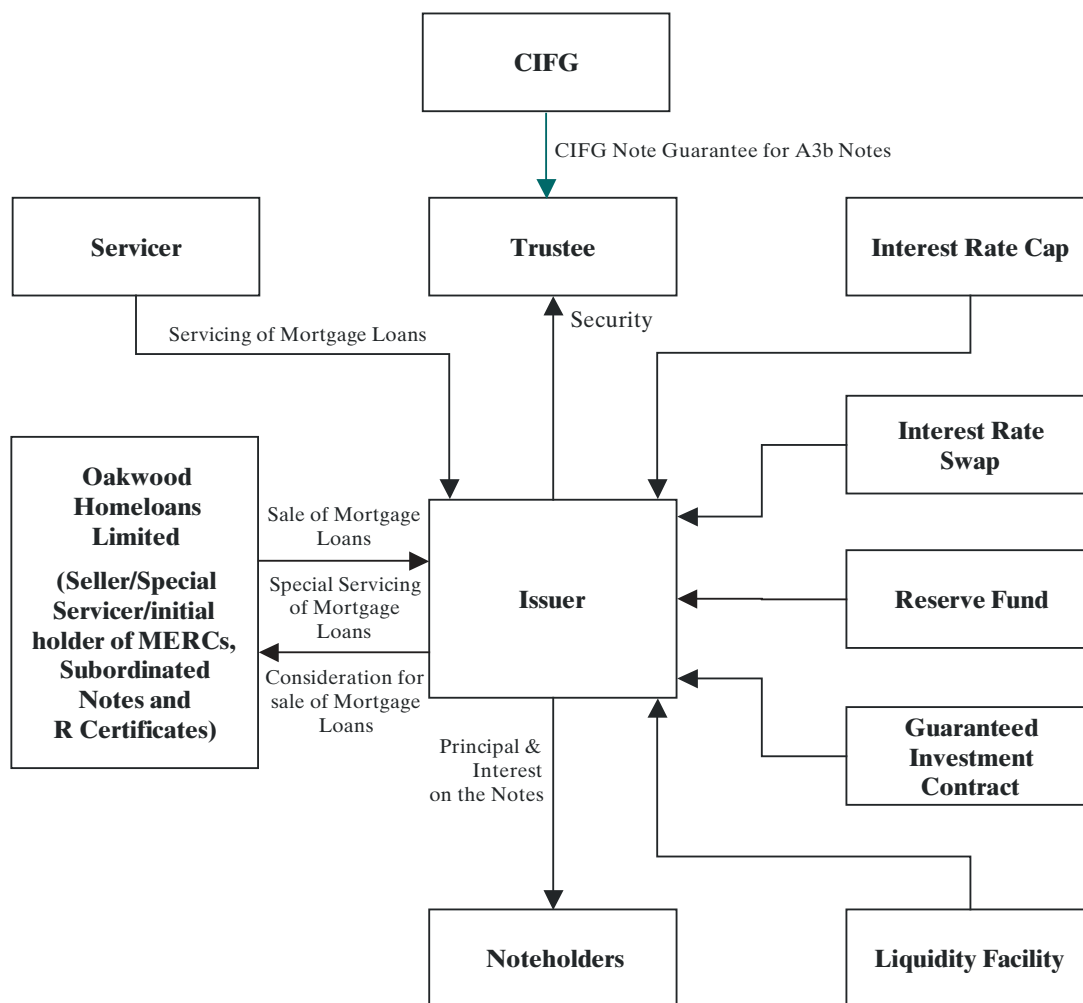
Interest Rate Cap

In order to hedge against interest rate exposure arising from the possibility of Mortgage Loans becoming non-performing if Note LIBOR exceeds 8 per cent., the Issuer will enter into an interest rate cap transaction (the “**Interest Rate Cap Transaction**”) with the Cap Provider pursuant to the Interest Rate

Cap Agreement for a period of approximately 5 years in respect of a notional amount of £139,100,000 (the “**Notional Amount**”) (being approximately equal to 25 per cent. of the Principal Amount Outstanding of the Notes on the Issue Date). Under the Interest Rate Cap Transaction, the Cap Provider will make payments to the Issuer if and to the extent that LIBOR (determined in accordance with the terms of the Interest Rate Cap Transaction) has risen above 8 per cent and the Issuer will pay to the Cap Provider a periodic fee in accordance with the terms of the Interest Rate Cap Agreement and the Pre-Enforcement Interest Priority of Payments (as more particularly described under the “*Credit Structure — Interest Rate Cap Agreement*”).

STRUCTURE DIAGRAM

This structure diagram is an indicative summary of the principal features of the Notes and the Instruments at issuance. This structure diagram must be read in conjunction with, and is qualified in its entirety by, the detailed information presented elsewhere in these Listing Particulars.



RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes and the Instruments about which prospective investors should be aware. It is not intended to be exhaustive and prospective investors should carefully consider the risk factors set out in this summary, in addition to the other information contained in these Listing Particulars, in evaluating whether to purchase the Notes and/or the Instruments.

Risks Related to the Notes and the Instruments

Non-Recourse Obligations and Limited Resources

The Notes and the Instruments represent obligations of the Issuer (other than CIFG's obligations under the CIFG Guarantee in respect of the A3b Ultimate Principal and A3b Interest), and do not constitute obligations or responsibilities of, or guarantees by, any other person (including the Seller, the Special Servicer, the Initial Instrumentholder, the Arranger, the Lead Manager, the Servicer, the Corporate Services Provider, the Share Trustee, the Trustee, the Cash Manager, the Master Servicer, the Registrar, the Paying Agents, the Agent Bank, the Transfer Agent, the Custodian, the Liquidity Facility Provider, the Account Bank, the GIC Provider, the Swap Counterparty, the Cap Provider, the Originators (as to which see in particular "*No Recourse to Originators*"), CIFG (other than CIFG's obligations under the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest), Holdings and the Option Co.).

The Issuer will rely solely on monies received or recovered on the Mortgage Loans (whether by way of monthly payments, enforcement, disposal of the Mortgage Loans or otherwise), amounts received from the Swap Counterparty under the Interest Rate Swap Agreement, amounts received from the Cap Provider under the Interest Rate Cap Agreement, amounts received from the GIC Provider under the Guaranteed Investment Contract and, in the event that the Issuer is unable on any Payment Date to pay in full (to the extent required to be paid on any such date) the Revenue Shortfalls, amounts available under the Liquidity Facility, in each case, to enable it to make payments in respect of the Notes and the Instruments.

Other than as provided in the Mortgage Sale Agreements, the Issuer and the Trustee will have no recourse to the Seller or any other entity (see "*Risks Related to the Mortgage Loans — Warranties and Limitation of Seller's Liability*" below), save in respect of the Trustee's rights against CIFG under the CIFG Note Guarantee.

No Recourse to Originators

In particular, neither the Notes nor the Instruments are obligations of, or the responsibility of, or guaranteed by, any Originator (or any subsidiary or affiliate of the Originators), and none of the Originators (or any subsidiary or affiliate of the Originators) has any responsibility for these Listing Particulars or their contents. Any information concerning the Originators in these Listing Particulars comprises only publicly available information issued by or on behalf of the relevant Originator.

CIFG Note Guarantee in respect of A3b Interest and A3b Ultimate Principal

To the extent that the Issuer fails to make payments due under the A3b Notes and no further amounts are available under the Liquidity Facility to make payments of the A3b Interest, the payment of the Regular Payments will be dependent on, among other things, CIFG performing its obligations under the CIFG Note Guarantee. The CIFG Note Guarantee will not guarantee any amount becoming payable for any other reason, including the mandatory redemption in part of the A3b Notes pursuant to Condition 5(b), an early redemption of the A3b Notes pursuant to Conditions 5(d) or 5(e) or an accelerated payment following the occurrence of an Event of Default pursuant to Condition 9, broken funding indemnities, penalties, premia, default interest or interest upon interest. In these circumstances, CIFG's obligations will not change and will be to continue to pay the Regular Payments as they fall due for payment on each Payment Date or, in the case of A3b Ultimate Principal, on the Final Payment Date.

In the CIFG Note Guarantee, CIFG has agreed that in circumstances where a payment obligation of it pursuant to such CIFG Note Guarantee is subject to withholding or deduction for, *inter alia*, taxes, it will effect such withholding or deduction but pay to the Guaranteholder such additional amounts as such Guaranteholder would have received but for such withholding or deduction. However, the attention of prospective purchasers of the Notes is drawn to the circumstances set out in terms 5(a)-(d) (inclusive) of the CIFG Guarantee described in these Listing Particulars (see "*Form of CIFG Note Guarantee*") which sets out the circumstances where such additional amounts will not be paid by CIFG.

Yield and Prepayment Considerations

The yield to maturity of the Notes and Instruments of each class will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, sale proceeds arising on enforcement of a Mortgage Loan, repurchases by the Seller due to breaches of warranties under the Mortgage Sale Agreements or requests by Borrowers to convert their current Mortgage Loan to one of a different type) on the Mortgage Loans and the price paid by the Noteholders for the Notes and by the Instrumentholders for the Instruments. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The yield to maturity on the MERCs will be particularly sensitive to the rates of prepayment on the related Mortgage Loans.

The Mortgage Loans may be prepaid in full or in part at any time. Early repayment will generally take place in one of two possible circumstances. The Borrower may voluntarily redeem the Mortgage Loan when, for example, remortgaging or selling the underlying property or the Mortgage Loan may be redeemed as a result of enforcement proceedings following default by the Borrower in making scheduled payments. However, an early repayment charge will be charged to a Borrower in connection with any repayment if the Mortgage Loan is prepaid within the first few years of its term. The level of early repayment charges depends upon the terms of the relevant Mortgage Loan but is typically on a decreasing sliding scale over the first two or three years. Early repayment charges, once received by the Issuer, constitute the Mortgage Early Repayment Charges and will, other than Ported Mortgage Early Repayment Charges, be distributed to MERC Holders. Ported Mortgage Early Repayment Charges will be refunded to the paying Borrowers upon completion of the Ported Mortgage Loans. Mortgage Early Repayment Charges will not be available to Noteholders or to other Instrumentholders. The Special Servicer may, at its discretion, instruct the Servicer not to collect any early repayment charges, for example, upon the death of a Borrower.

A wide range of factors will affect the Mortgage Early Repayment Charges received by the Issuer including the date of origination of each Mortgage Loan comprised in the Completion Mortgage Pool, the rate at which Borrowers voluntarily redeem Mortgage Loans, the number of Mortgage 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.

Principal prepayments in full may result in connection with refinancings, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage Loan, as well as the receipt of proceeds from building insurance policies. In addition, repurchases or purchases of Mortgage Loans by the Seller will have the same effect as a prepayment in full of such Mortgage Loans (save that no Mortgage Early Repayment Charges will arise in respect of such repurchases, purchases or adjustments).

The rate of prepayment of the Mortgage 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. No assurance can be given as to the level of prepayment that the Mortgage Pool will experience and therefore the level of MERC Holder Payments.

Subordination of the B Notes, the C Notes, the D Notes and the E Notes

To the extent set forth in Condition 2, prior to the service of an Enforcement Notice by the Trustee and other than when the Pro Rata Redemption Conditions are satisfied (a) the B Notes are subordinated in right of payment of interest and principal to the A Notes; (b) the C Notes are subordinated in right of payment of interest and principal to the A Notes and the B Notes; (c) the D Notes are subordinated in right of payment of interest and principal to the A Notes, the B Notes and the C Notes; and (d) the E Notes are subordinated in right of payment of interest and principal to the A Notes, the B Notes, the C Notes and the D Notes. See also “*Credit Structure — Subordination of the B Notes, C Notes, D Notes and E Notes*”. Prior to the service of an Enforcement Notice by the Trustee and provided that the Pro Rata Redemption Conditions are satisfied, the A Notes, the B Notes, the C Notes, the D Notes and the E Notes will rank *pari passu* and *pro rata* as to payment of principal, as described in Condition 2, save that, in such circumstances, the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes; the A2 Notes will rank in priority to the A3a Notes and the A3b Notes but behind the A1 Notes; the A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes; and the A3b Notes will rank *pro rata* and *pari passu* with the A3a Notes but behind the A1 notes and the A2 Notes.

Conflicts between Classes of Notes

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the classes of Notes as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) and, to the extent of any conflict between the interests of any classes of Noteholders, requiring the Trustee, other than in relation to Instrumentholder Entrenched Rights, to have regard only to the interests of the Most Senior Class of Notes. There may be circumstances, however, where the interests of one class of Noteholders conflict with the interests of another class or classes of the Noteholders. In general, the Trustee will give priority to the interests of the holders of the Most Senior Class of Notes such that:

- (a) the Trustee is to have regard only to the interests of the A Noteholders in the event of a conflict between the interests of the A Noteholders on the one hand and the B Noteholders and/or the C Noteholders and/or the D Noteholders and/or the E Noteholders on the other hand;
- (b) (if there are no A Notes outstanding) the Trustee is to have regard only to the interests of the B Noteholders in the event of a conflict between the interests of the B Noteholders on the one hand and the C Noteholders and/or the D Noteholders and/or the E Noteholders on the other hand;
- (c) (if there are no A Notes or B Notes outstanding) the Trustee is to have regard only to the interests of the C Noteholders in the event of a conflict between the interests of the C Noteholders on the one hand and the D Noteholders and/or the E Noteholders on the other hand; and
- (d) (if there are no A Notes, B Notes or C Notes outstanding) the Trustee is to have regard only to the interests of the D Noteholders in the event of a conflict between the interests of the D Noteholders on the one hand and the E Noteholders on the other hand.

Notes — Principal Deficiencies and Revenue Shortfalls

If, upon default by a Borrower and after exercise by the relevant Servicer of all available remedies in respect of the applicable Mortgage Loan, the Issuer does not receive the full amount due from such Borrower, Noteholders may receive by way of principal repayment an amount less than the face amount of the Notes and the Issuer may be unable to pay in full interest due on the Notes.

The Issuer will, upon the occurrence of such a principal shortfall recognise a Principal Deficiency in respect of certain of the Notes. Amounts of Available Revenue Funds will, to the extent that they are available at items (vii), (ix), (xi), (xiii) and/or (xv) of the Pre-Enforcement Interest Priority of Payments, be allocated to reduce or eliminate the Principal Deficiency in accordance with the Pre-Enforcement Interest Priority of Payments and applied in redemption of the relevant Notes. If such application of Available Revenue Funds is insufficient to cover such Principal Deficiencies in full, the remaining Principal Deficiency will be carried forward to the next subsequent Payment Date.

Principal Deficiencies will be recorded in the following manner: (a) firstly to the E Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the E Note Principal Deficiency Limit; (b) secondly to the D Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the D Note Principal Deficiency Limit; (c) thirdly to the C Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the C Note Principal Deficiency Limit; (d) fourthly to the B Principal Deficiency Sub-Ledger, until the amount on such sub-ledger is equal to the B Note Principal Deficiency Limit; and (e) thereafter, to the A Principal Deficiency Sub-Ledger (see “*Credit Structure — Principal Deficiency Ledger*”).

In the event that, after the application of the Available Revenue Funds, there are insufficient amounts available for distribution to meet the Revenue Shortfalls, the Issuer may make drawings up to the Liquidity Facility Amount pursuant to the Liquidity Facility Agreement. In addition, in the event of a shortfall in the amounts available to make payments of interest on the A3b Notes after the application of the Available Revenue Funds and amounts available under the Liquidity Facility, a claim for the payment of A3b Interest will be made pursuant to the CIFG Note Guarantee. In the event that, on any Payment Date prior to the service of an Enforcement Notice by the Trustee, after the application of the Available Revenue Funds and amounts standing to the credit of the Liquidity Ledger, there are insufficient amounts to make payments of interest on the classes of Notes junior to the Most Senior Class of Notes, then such payments of interest will be deferred until the following Payment Date in accordance with Condition 4(f). There will be no deferral of any payment of interest or any other amount due and payable on the Most Senior Class of Notes.

Subordination of the Instruments

To the extent set forth in Subordinated Note Condition 2, prior to the service of an Enforcement Notice by the Trustee, the payment of interest and principal of the Subordinated Notes will rank behind the payment of interest on the Notes but in priority to payments on the R Certificates.

In the event that, after the application of the Available Revenue Funds available to the Issuer there are insufficient amounts to make payments of interest on the Subordinated Notes, then such payments of interest will be deferred until the following Payment Date in accordance with Subordinated Note Condition 4(f).

In respect of the interests of the Instrumentholders, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the Instrumentholders as regards all powers, trusts, authorities, duties and discretions of the Trustee and requiring the Trustee, other than in limited circumstances, to have regard only to the interest of the Most Senior Class of Notes.

Interest Rate Mismatch

In order to address the interest rate basis risk associated with the Bank of England Repo Rate-Linked Mortgage Loans (save for the Fixed Reverting to SVR Mortgage Loans, to the extent they accrue a fixed rate of interest), the Mortgage Rate for each of which is calculated by reference to the Bank of England repo rate, the Issuer will on the Issue Date enter into the BBR — LIBOR Basis Swap Transaction with the Swap Counterparty pursuant to the Interest Rate Swap Agreement.

In order to address the interest rate basis risk associated with the LIBOR-Linked Mortgage Loans (save for the Fixed Reverting to KVR Mortgage Loans, to the extent they accrue a fixed rate of interest), the Mortgage Rate for each of which is calculated by reference to a LIBOR rate which may be different from Note LIBOR, the Issuer will on the Issue Date enter into the LIBOR Basis Swap Transaction with the Swap Counterparty under the Interest Rate Swap Agreement.

In order to address the interest rate risk associated with the Fixed Reverting to SVR Mortgage Loans in the GMAC-RFC Mortgage Pool and the Fixed Reverting to KVR Mortgage Loans in the KMC Mortgage Pool, the Mortgage Rate for each of which is calculated by reference to certain fixed rates (within the fixed rate period in respect of such Mortgage Loans), the Issuer will on the Issue Date enter into the Fixed — LIBOR Swap Transaction with the Swap Counterparty pursuant to the Interest Rate Swap Agreement.

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

The Interest Rate Swap Agreement will provide that, upon the occurrence of certain events, the Interest Rate Swap Agreement may terminate and a termination payment by either the Issuer or the Swap Counterparty may be payable. Any termination payment due from the Issuer under the Swap Transactions (except where such termination arises as a result of a default by a Swap Counterparty or the downgrade or withdrawal of its credit rating) will rank ahead of payments owing to the Noteholders (to the extent not satisfied out of the proceeds of collateral provided by the Swap Counterparty or any premium received by the Issuer upon entering into any replacement transaction). Payments of such amounts to the Swap Counterparty may reduce funds that would otherwise be available to make payments on the Notes.

Upon any early termination of the Swap Transactions, the Issuer will either be paid a net termination amount by the Swap Counterparty, if any, due to it pursuant to the terms of the Interest Rate Swap Agreement (which it will apply to acquire a replacement interest rate swap if the Notes are to remain outstanding following any such early termination), or be required to pay a net termination amount to the Swap Counterparty, if any, due from it pursuant to the terms of the Interest Rate Swap Agreement (which it may fund from collateral provided by the Swap Counterparty and any amount paid to it by a replacement swap counterparty in relation to any replacement interest rate swaps entered into). To the extent any net termination amount payable by the Swap Counterparty together with any collateral provided by the Swap Counterparty is insufficient to enable the Issuer to acquire the replacement interest rate swaps, the Issuer will be required to utilise, *inter alia*, amounts paid to it by Borrowers under the Mortgage Loans. Similarly, to the extent that any premium received by the Issuer from a replacement

swap counterparty upon entry into replacement transactions together with any collateral provided by the Swap Counterparty is insufficient to satisfy any termination payment due to the Swap Counterparty under the Interest Rate Swap Agreement, the Swap Counterparty will receive any such shortfall in accordance with the applicable Priority of Payments.

No assurance can be given as to the ability of the Issuer to find a replacement swap counterparty which meets the Required Swap Counterparty Ratings and which will agree to enter into replacement swap transactions.

Risks Associated with Rising Mortgage Rates

The Mortgage Rate payable under the Bank of England Repo Rate-Linked Mortgage Loans (save for the Fixed Reverting to SVR Mortgage Loans, to the extent they accrue a fixed interest rate) is calculated by reference to the Bank of England repo rate and the Mortgage Rate payable under the LIBOR-Linked Mortgage Loans (save for the Fixed Reverting to KVR Mortgage Loans, to the extent they accrue a fixed rate of interest) is calculated by reference to LIBOR, both of which may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under such Bank of England Repo Rate-Linked Mortgage Loans as a result of an increase in the Bank of England repo rate or under such LIBOR-Linked Mortgage Loans as a result of an increase in LIBOR (and consequently, KVR).

Limited Liquidity

There is not, at present, an active and liquid secondary market for the Notes or the Instruments. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders or Instrumentholders with liquidity of investment or that it will continue for the life of the Notes or Instruments. To date, no underwriter has indicated that they intend to establish a secondary market in the Notes or Instruments.

MERCs and R Certificates — Transfer Restrictions

Prospective investors should carefully consider the additional restrictions upon the holding and transfer of the MERCs (see MERC Conditions 1 and 4) and the R Certificates (see R Certificate Conditions 1 and 4).

Risks Related to the MERCs

The MERCs are generally more speculative investments than the Notes and investors should be aware of the special risks associated with the MERCs as set out below.

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 Repayment Charges. MERC Holders do not have an entitlement to Mortgage Early Repayment Charges received or receivable from Borrowers acquiring Ported Mortgage Loans as such amounts will be waived or refunded to the Borrowers. The entitlement of MERC Holders to receive MERC Holder Payments from time to time will be contingent upon the Notes remaining outstanding. High rates of prepayment or enforcement of Mortgage Loans are likely to result in increased Mortgage Early Repayment Charges. Correspondingly, lower rates of prepayments or enforcements of Mortgage Loans are likely to result in reduced MERC Holder Payments. The actual lives of the MERCs cannot be predicted, however, as the actual rate of prepayment of the Mortgage Loans is unknown. The rating of S&P on the MERCs addresses the likelihood of receipt by MERC Holders of Mortgage Early Repayment Charges actually received by the Issuer if enforceable. The ratings of Fitch and Moody's of the MERCs address the likelihood of receipt by MERCs Holders of MERC Holder Payments assuming, without any independent investigation that (i) payment of the Mortgage Early Repayment Charge corresponding to the applicable MERC Holder Payments is legally valid, binding and enforceable against the Borrowers and (ii) such Mortgage Early Repayment Charge is actually collected from Borrowers, received by the Issuer, and not refunded to the Borrower by the Seller.

Whilst MERCs will have voting rights amongst themselves, the MERCs will carry no voting rights in respect of the Notes, save that MERCs will have Instrumentholder Entrenched Rights. See MERC Condition 11.

As all Mortgage Loans in the Preliminary Completion Mortgage Pool were completed by 30 December 2005, few Mortgage Early Repayment Charges in respect of the Completion Mortgage Pool are expected to arise after 31 December 2010. See "*The Mortgage Pool — Mortgage Early Repayment Charges*".

A wide range of factors will affect the Mortgage Early Repayment Charges received by the Issuer including the date of origination of each Mortgage Loan comprised in the Completion Mortgage Pool, the rate at which Borrowers voluntarily redeem Mortgage Loans, the number of Mortgage 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.

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 that the Enforcement Liabilities are greater than the Enforcement Proceeds, such proceeds will be applied first in repaying those Enforcement Liabilities relating to the third party fees and expenses (including the fees, costs and expenses of solicitors and asset managers) (the “**Enforcement Third Party Costs**”). Only when the Enforcement Third Party Costs have been repaid will the Enforcement Proceeds be applied towards payment of those Enforcement Liabilities relating to other outstanding fees and charges including Mortgage Early Repayment Charges.

Risks Related to the Mortgage Loans

Warranties and Limitation of Seller's Liability

Neither the Arranger, the Lead Manager, the Issuer nor the Trustee have undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their Related Security and will rely instead on, *inter alia*, the benefit of the warranties given by the Seller to the Issuer in the Mortgage Sale Agreements (the “**Warranties**”). The sole remedy provided for in the Mortgage Sale Agreements (subject to the relevant cure period as set out in the relevant Mortgage Sale Agreement and save as described below) of each of the Issuer and the Trustee in respect of a breach of Warranty in relation to a Mortgage Loan shall be the requirement that the Seller repurchase any Mortgage Loan which is the subject of the breach, provided that this shall not limit any other remedies available to the Issuer and/or Trustee if the Seller fails to repurchase a Mortgage Loan when obliged to do so.

There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreements. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the Seller and neither the Issuer nor the Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations. See “*Sale of the Mortgage Pool — Warranties and Breach of Warranties*”.

The Seller is under no obligation to repurchase a GMAC-RFC Mortgage Loan under the GMAC-RFC Pool Mortgage Sale Agreement if the Issuer has: (a) varied the related Mortgage Conditions in certain cases (save for any change in the tariff of charges or in the direct debit form); (b) without the prior approval of the Seller, done or omitted to do any act or thing which would materially and adversely prejudice the Seller if it were the mortgagee and which a prudent residential mortgage lender would not have done or omitted to do; (c) converted a GMAC-RFC Mortgage Loan to another type of mortgage product (save for a change in the reference to the Bank of England repo rate or to SVR); (d) consented to a GMAC-RFC Pool Borrower letting a GMAC-RFC Property (save in respect of those GMAC-RFC Mortgage Loans which are not owner-occupied); or (e) made any Further Advance (except where it has done so pursuant to the GMAC-RFC Lending Criteria and the Warranties set out in the GMAC-RFC Pool Mortgage Sale Agreement are true, complete and accurate in all respects in relation to the GMAC-RFC Mortgage Loan prior to the granting of such Further Advance).

The Seller is under no obligation to repurchase a KMC Mortgage Loan under the KMC Pool Mortgage Sale Agreement unless there has been a breach which materially adversely affects either: (a) the value of the relevant KMC Mortgage Loan; (b) the rights available to a mortgagee in respect of the repayment of that KMC Mortgage Loan (including the enforceability of rights against third parties) and therefore materially adversely affects the value of the KMC Mortgage Loan; or (c) the amount likely to be received upon a sale or likely to be financed against the security of that KMC Mortgage Loan, in each case, provided that “materiality” for these purposes means that the breach affects any of paragraphs (a), (b) or (c) above in a minimum threshold amount (the “**Relevant Breach**”).

The Mortgage Sale Agreements contain various restrictions and limits (including financial/monetary limits and time caps) on the Seller's liability and, in connection with its obligation to repurchase the Mortgage Loans, provide that the Issuer shall have no claim or remedy in respect of any breaches of the

Warranties where such restrictions or limits apply. Accordingly, the Issuer may suffer loss in respect of matters referred to in the Warranties. Further, the Issuer may not have any direct rights (under general or contract law) against any solicitors or valuers who, when acting for the Originators in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Seller has, to the extent assignable, assigned its causes and rights of actions against third parties to the Issuer pursuant to each Mortgage Sale Agreement. To the extent that such causes and rights of actions against solicitors and valuers prove to be unassignable, the Seller has undertaken to both indemnify the Issuer for any losses incurred by it as a result of any negligence or breach of contract by a solicitor or valuer as well as to instigate action (including, if possible, legal proceedings by the relevant Originator) against such solicitor or valuer as the Issuer (through the Seller) instructs, provided that the Issuer first indemnifies the Seller for the costs of taking such action.

Collectability of Loans

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

In addition, the ability of the Issuer to dispose of a Property, in the event of enforcement against a Borrower at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon a number of factors including the availability of buyers for the Property.

Risks of Losses Associated with Declining Property Values

The Security for the Notes and the Instruments consists of the Charged Assets and may be affected by, among other things, a decline in the value of the Properties. No assurance can be given that the values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders and Instrumentholders if the Security is required to be enforced. The holders of the A3b Notes, however, have the benefit of the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest.

Prospective investors should be aware that, other than the valuation of Properties undertaken as at origination (as more fully described in “*Mortgage Pool — Lending Criteria*”), no revaluation of any Property has been undertaken by the Seller, the Issuer, the Servicer, the Trustee or any other person in respect of the transactions described in this document.

Lending Criteria

In respect of each GMAC-RFC Mortgage Loan, GMAC-RFC took reasonable steps at the time of origination to verify that the lending criteria of GMAC-RFC (the “**GMAC-RFC Lending Criteria**”) were satisfied (and that any discretions were exercised in accordance with GMAC-RFC’s policies). In respect of each KMC Mortgage Loan, KMC took reasonable steps prior to making the Mortgage Loan to verify that the requirements of the lending criteria of KMC (the “**KMC Lending Criteria**”), were satisfied at the time of completion of the Mortgage Loan in all material respects. The lending criteria of the Seller (the “**Oakwood Lending Criteria**”) and, together with the GMAC-RFC Lending Criteria and the KMC Lending Criteria, the “**Lending Criteria**”) will apply, together, where applicable, with product specifications in respect of all Further Advances, Converted Mortgage Loans and Ported Mortgage Loans. The Lending Criteria consider, among other things, a Borrower’s credit history, employment status, repayment ability, debt-to-income ratio, rent coverage (in the case of non-owner occupiers), as well as the value of the Property. There can be no assurance that the Lending Criteria will not be varied or that Mortgage Loans originated under different criteria may not become part of the Mortgage Pool (see “*Mortgage Pool*”).

The Mortgage Pool will include Mortgage Loans to Borrowers who (a) may previously have been subject to one or more County Court Judgments (“**CCJs**”), Individual Voluntary Arrangements (“**IVAs**”) or

Bankruptcy Orders (“**BOs**”); (b) are self-employed; and/or (c) are otherwise considered by bank and building society lenders to be non-conforming borrowers (“**Non-Conforming Borrowers**”) and/or (d) are not owner occupiers. Mortgage Loans made to Non-Conforming Borrowers may experience higher rates of delinquency, write-offs, enforcement and bankruptcy than have historically been experienced by mortgage loans made to prime borrowers and therefore carry a higher degree of risk. The Lending Criteria are more fully described in “*Mortgage Pool — Lending Criteria*”.

Risk of Losses Associated with High LTV Mortgage Loans

Approximately 29.34 per cent. of the Mortgage Loans by value have a current loan to value ratio in excess of 90 per cent. There can be no assurance that mortgage loans with higher loan to value ratios will not experience higher rates of delinquency, write-offs, enforcement and bankruptcy than mortgage loans with lower loan to value ratios.

Risk of Losses Associated with Interest Only Mortgage Loans

Approximately 65.06 per cent. of the Mortgage Loans by value constitute Interest Only Mortgage Loans (see “*Mortgage Pool — Characteristics of the Mortgage Loans*”). Interest Only Mortgage 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 Mortgage Loan, the Borrower will be required to make a bullet payment that will represent the entirety of the principal amount outstanding. The ability of such a Borrower to repay an Interest Only Mortgage Loan at maturity frequently depends on such Borrower’s ability to refinance the Property or to obtain funds from another source such as pension policies, personal equity plans or endowment policies. None of the Originators nor the Seller has required that such policies be established with respect to any Interest Only Mortgage Loans nor has the Seller required that the benefit of any such policies be assigned to it. The only security that exists will therefore be the Mortgage covering the Property. 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 and payment history of the Borrower, tax laws and general economic conditions at that time.

Risk of Losses Associated with Non-Owner Occupied Properties

Approximately 7.29 of the Mortgage Loans by value are secured by non-owner occupied Properties. These Properties are generally rented to tenants by the relevant Borrowers. All such non-owner occupied Mortgage Loans are in the GMAC-RFC Mortgage Pool.

As such non-owner occupied Mortgage Loans are secured over buy to let properties which are required to be let by the relevant GMAC-RFC Pool Borrowers, the security for the Notes and the Instruments will also from time to time be affected by the condition of the private residential rental market in England and Wales, and in particular, the condition of the private rental market within the various regional areas in England and Wales where the relevant GMAC-RFC Properties are located. The condition of the rental market will influence both the ability of GMAC-RFC Pool Borrowers to find tenants and the amount of rental income which may be achieved by the relevant GMAC-RFC Pool Borrower in any letting.

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

Risk of Losses Associated with Arrears Loans

Approximately 2.32 per cent. of the Mortgage Loans by value constitute mortgage loans with greater than one month in arrears. Mortgage loans in arrears are generally likely to experience higher rates of delinquency, write-offs, enforcements and bankruptcy than mortgage loans without arrears.

Risk of Losses associated with Self-Certified Loans

Approximately 69.71 per cent. of the Mortgage Loans by value constitute mortgage loans in relation to which income and employment details of the Borrower are not substantiated by supporting documentation. The rate of delinquencies, write-offs, enforcements and losses on such mortgage loans may differ from those in respect of mortgage loans where supporting documentation has been provided in respect of the income or employment details of the Borrower.

Geographic Concentration of Properties

Certain geographic regions will from time to time 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.

There are concentrations of Properties within certain regional areas which may present risk considerations in addition to those generally present for similar mortgage loan asset backed securities without such concentrations. See further “*Characteristics of the Preliminary Completion Mortgage Pool*”.

Realisation of Charged Assets and Liquidity Risk

The ability of the Issuer to redeem all the Notes and Instruments in full and to pay all amounts due to the Noteholders and Instrumentholders including after the occurrence of an Event of Default under the Notes, may depend upon whether the Mortgage Loans can be realised to obtain an amount sufficient to redeem the Notes and Instruments. There is not at present an active and liquid secondary market in the United Kingdom for loans with characteristics similar to the Mortgage Loans. It may not, therefore, be possible for the Issuer or, as the case may be, the Trustee or a receiver to sell the Mortgage Loans on appropriate terms should such a course of action be required.

Enforcement

Costs and delays could be encountered in connection with enforcement of the Mortgages and recovery of the Mortgage Loans with corresponding delays in the receipt of related proceeds by the Issuer. For further detail in relation to the enforcement process and related risks, see further “*Servicing and Special Servicing of the Mortgage Pool — Enforcement Procedures*”.

Servicing and Special Servicing of the Mortgage Loans and Reliance on Third Parties

There may initially be a period, as a result of the Servicer being recently appointed on 24 February 2006 in respect of the GMAC-RFC Mortgage Loans and 17 March 2006 in respect of the KMC Mortgage Loans, during which operational and/or technical difficulties arise with the collection or processing of payments from Borrowers and their subsequent transfer to the relevant Collection Account. Such difficulties arising during this transition period may cause delays. This may on any Payment Date temporarily reduce the amounts available standing to the credit of the Issuer Transaction Account on each Payment Date to make payments on the Notes and Instruments.

The Servicer has the ability under the Servicing Agreements to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Servicing Agreements, the Servicer will remain responsible for the performance of its obligations under such Servicing Agreement. See “*Servicing and Special Servicing of the Mortgage Pool — Sub-Contracting by the Servicer*”.

If the appointment of the Servicer is terminated under the relevant Servicing Agreement, it would be necessary for the Issuer (with the consent of the Trustee) or the Trustee to appoint a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the relevant Servicing Agreement and the then current rating of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) is not adversely affected thereby. The ability of a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Issuer and the Trustee will be able to appoint a suitable substitute servicer and the Trustee has no obligation to act as servicer in such event.

The Special Servicer has the ability under the Special Servicer Agreements to sub-contract its obligations. Notwithstanding any such sub-contracting to any party or delegation of the performance of any of its obligations under the Special Servicer Agreements, the Special Servicer will remain responsible for the performance of its obligations under such Special Servicer Agreements.

If the appointment of the Special Servicer is terminated under the relevant Special Servicer Agreement, it would be necessary for the Issuer (with the consent of the Trustee) or the Trustee, to appoint a substitute special servicer with special servicing experience of residential property mortgage loans in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the relevant Special Servicer Agreement and the then current rating of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) is not adversely affected thereby. The ability of a substitute special servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Issuer and the Trustee will be able to appoint a suitable substitute special servicer and the Trustee has no obligation to act as special servicer in such event.

The Issuer is party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes and the Instruments. In particular, but without limitation, the Liquidity Facility Provider has agreed to provide the Issuer with the Liquidity Facility pursuant to the Liquidity Facility Agreement and the GIC Provider under the Guaranteed Investment Contract, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicing and Account Bank Agreement, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the Cap Provider under the Interest Rate Cap Agreement and the Swap Counterparty under the Interest Rate Swap Agreement have all agreed to provide services with respect to the Notes and the Instruments. If 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.

Buildings Insurance Policy

According to the relevant Lending Criteria or lending/underwriting policy of each Originator, each Property should have been, at the time of the origination of the relevant Mortgage Loan, insured with an acceptable insurance company. However, such insurance policies were taken out by the relevant Borrowers and not under a block buildings insurance policy of the Seller. The Seller may therefore be unaware of any lapse in any such insurance policy and may only receive notice of the loss or damage to the relevant Property and may not have the ability to influence how any money received under the claim is spent. The Seller has therefore purchased block contingency insurance to mitigate this risk. See “*Mortgage Pool — Insurance*”.

Title of the Issuer

Legal title to all of the Mortgage Loans and (subject to registration at the Land Registry) their related Mortgages are currently vested in the Seller.

Legal title to the Mortgage Loans and their related Mortgages will only be transferred to the Issuer in the limited circumstances described under “*Title to the Mortgage Pool*”. Prior to the Issuer obtaining legal title to the Mortgages, a bona fide purchaser from the Seller for value of any of such Mortgage Loans without notice of any of the interests of the Issuer or the Trustee might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee in this way is likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, gross negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Trustee may be or become subject to the direct rights of the Borrowers against the Seller. Such rights may include the rights of set off which arise in relation to transactions made between certain Borrowers and the Seller and the right of the relevant Borrowers to redeem their Mortgages by repaying the relevant Mortgage Loan directly to the Seller. These rights may result in the Issuer receiving less monies than anticipated from the Mortgage Loans.

Until the Issuer obtains legal title to the Mortgage Loans, the sale of the Mortgage Loans will take effect in equity only. In order for legal title to be transferred to the Issuer, transfers and assignments would have to be registered or recorded at the Land Registry and notice would have to be given to Borrowers of the transfer.

General Regulatory Considerations

A general description of the current regulatory environment affecting the UK residential mortgage market is set out herein under “*Regulation of the UK Residential Mortgage Market*”.

No assurance can be given that any relevant 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 UK

generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments may have a material adverse effect on the Mortgage Loans, the Seller, the Issuer, the Special Servicer or the Servicer and their respective businesses and operations. In particular, the cost of compliance with any such regulation, action or requirement may adversely affect the ability of the Issuer to meet its financial obligations under the Transaction Documents.

Office of Fair Trading and Financial Services Authority

The Office of Fair Trading (the "**OFT**") is responsible for the issue of licences under the Consumer Credit Act 1974 (the "**CCA**") and the related Consumer Credit Regulations promulgated thereunder. The OFT may review businesses and operations, provide guidelines to follow and take actions when necessary with regard to the mortgage market in the United Kingdom.

In February 2000, the OFT issued a guidance note (the "**Guidance Note**") on what the OFT considers to be "fair" or "unfair" within the Unfair Terms in Consumer Contracts Regulations 1999 (the "**1999 Regulations**") (see further below) for interest variation terms. The Guidance Note comments on a term linking an interest rate to an external rate outside the lender's control. It provides that, generally, the OFT and Consumers' Association will not regard such term as unfair if the lender explains at the outset how the mortgage interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which changes will be made. It should be noted that the Guidance Note is not legally binding, has been withdrawn from the OFT website and is currently under review by the OFT and the FSA.

A portion of the Mortgage Loans in the Preliminary Completion Mortgage Pool are Bank of England Repo Rate-Linked Mortgage Loans where the applicable Mortgage Rate is calculated by reference to the Bank of England repo rate plus a fixed margin expressed as a percentage above the Bank of England repo rate currently or after the expiry of a period. The other portion of the Mortgage Loans in the Preliminary Completion Mortgage Pool are LIBOR-Linked Mortgage Loans where the applicable Mortgage Rate is calculated by reference to LIBOR plus a fixed margin expressed as a percentage above LIBOR currently or after the expiry of a period. In relation to such Bank of England Repo Rate-Linked Mortgage Loans and LIBOR-Linked Mortgage Loans, the Special Servicer (as agent for the mortgagee) will act as a reasonably prudent residential mortgage lender in setting the rate. The Special Servicer believes that the Mortgage Rate under the Bank of England Repo Rate-Linked Mortgage Loans and LIBOR-Linked Mortgage Loans will also be fair in accordance with the Guidance Note.

In view of mortgage regulation under the FSMA by the Financial Services Authority ("**FSA**") (as described below), the FSA has agreed with the OFT to take responsibility for the enforcement of the 1999 Regulations in mortgage agreements. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, with specific reference to the fairness of variation clauses. The statement is addressed to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope, including regulated mortgage contracts. The statement provides, amongst other things, the FSA's views on the factors to be considered when assessing the fairness of variation clauses, particularly where such variation clauses are applied to contracts with locked-in borrowers (i.e. where, in order to withdraw from the contract, the borrower is required to give advance notice or to pay a cost or to give up a benefit). Whilst the FSA provides that in general any information about mortgage interest rates, variations and notification of any changes should be clear, fair and not misleading, the statement in particular specifies a variety of factors that should be considered in respect of variation clauses applied to contracts with locked-in borrowers. These factors include whether there is some connection between mortgage interest rates which apply to locked-in borrowers and those which apply to non-locked in borrowers; whether valid reasons for the change are stated clearly and unambiguously in the contract; and whether the borrower must be given advance notice of the change. Additionally, the FSA states that firms may consider drafting contracts so as to permit variations to be made only when any lock-in clause has not been exercised.

Mortgage Loans Regulated by the FSMA

The FSMA requirements in respect of regulated mortgage contracts came into force on and from 31 October 2004 (the date known as "**N(M)**") in the UK. Since such date, regulated mortgage contracts have been subject to regulation by the FSA.

On and from N(M), a mortgage contract is a "**regulated mortgage contract**" if, at the time it is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the

borrower to repay to be secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. Any variation of a Mortgage Loan may fall within the regime insofar as, on or after 31 October 2004, it amounts to a new contract (and otherwise satisfies the definition of a regulated mortgage contract).

Each entity carrying on a regulated activity under the FSMA is required to hold authorisation and permission from the FSA to carry on that activity. If requirements as to authorisation of lenders, brokers and other intermediaries (in relation to the carrying on of regulated activities under the FSMA concerning entering into a regulated mortgage contract) are not complied with, the regulated mortgage contract is unenforceable against the borrower except with the approval of a court. Generally, each financial promotion relating to a regulated mortgage contract (or other credit agreement secured by a mortgage on land, where the lender carries on the regulated activity of entering into regulated mortgage contracts) has to be issued or approved by a person holding authorisation and permission from the FSA. If such requirements as to financial promotions are not complied with, the regulated mortgage contract (or other credit agreement) is unenforceable against the borrower except with the approval of a court. On or after N(M), no variation has been or will be made to any Mortgage Loans where it would result in the Issuer, the Trustee, the Servicer or the Special Servicer arranging, advising on, administering or entering into a regulated mortgage contract (or agreeing to carry on any of these activities) if any of them would be required to be authorised under the FSMA to do so and does not have such authorisation.

Any credit agreement intended to be regulated by the FSMA might instead be wholly or partly regulated by the CCA or treated as such or unregulated, and any credit agreement intended to be unregulated might instead be regulated by the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of “regulated mortgage contract” and (b) changes to credit agreements.

Under Section 150 of the FSMA, a borrower is entitled to claim damages for loss suffered as a result of any contravention of an FSA rule by an authorised person. In the case of such contravention by the originator, the Borrower may claim such damages against the originator, or set off the amount of such claim against the amount owing by the Borrower under the relevant Mortgage Loan or any other mortgage loan that the Borrower has taken. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders. In the case of any such contravention by an authorised broker or other intermediary, the Borrower may claim such damages against that intermediary, not the Seller, and thus no such set-off against any Mortgage Loan will apply in that case.

So as to avoid dual regulation, it is intended that regulated mortgage contracts will not be regulated by the CCA. This exemption only affects credit agreements made on or after N(M), and credit agreements made before N(M) but subsequently varied such that a new contract is entered into on or after N(M) which constitutes a regulated mortgage contract. A court order is necessary, however, to enforce a land mortgage securing a regulated mortgage contract to the extent that it would otherwise be regulated by the CCA or treated as such.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A regulated mortgage contract under the FSMA, if made by a UK originator from an establishment in the UK, will not be cancellable under these regulations. Any other credit agreement will be cancellable under these regulations, if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. The borrower may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made or, if later, the borrower receives the last of the prescribed information.

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

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower's sending notice of cancellation or, if later, the originator receiving notice of cancellation;

- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security is to be treated as never having had effect for the cancelled agreement.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

The 1999 Regulations and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the “**UTCCR**”) apply to agreements made on or after 1 July 1995 and affect all or almost all of the Mortgage Loans. The UTCCR provide that (a) a consumer may challenge a standard term in an agreement on the basis that it is “unfair” within the UTCCR and therefore not binding on the consumer and (b) the OFT, the FSA and any other “qualifying body” may seek to enjoin a business against relying on unfair terms, although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the relevant unfair term.

This will not generally affect “**core terms**”, which set out the main subject-matter of the contract (for example, the borrower’s obligation to repay the principal), but may affect terms deemed to be ancillary terms, which may well include the ability to choose a substitute for LIBOR or Bank of England repo rate (as applicable) where LIBOR or Bank of England repo rate (as applicable) cannot be determined under the Mortgage Loan and other terms the application of which are in the lender’s discretion, or the ability to impose a charge upon repayment by reference to the Mortgage Early Repayment Charges. Where a term for interest variation does not provide for precise and immediate tracking of an external rate outside the lender’s control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCCR unless the lender (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. See “*Servicing and Special Servicing of the Mortgage Pool — Repayment*”.

If a term imposing a charge upon redemption by reference to the Mortgage Early Repayment Charges is unfair, the Borrower will not be liable to pay the charge or, to the extent that he has paid it, will be able, as against the Seller or any assignee such as the Issuer, to claim restitution of the amount or to set off the amount of such claim against the amount owing by the Borrower under the relevant Mortgage Loan or any other mortgage loan that the Borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders and Instrumentholders.

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

No assurance can be given that changes to the 1999 Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have a material adverse effect on the Mortgage Loans, the Seller, the Issuer, the Special Servicer or the Servicer and their respective businesses and operations.

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 mortgage loans made to non-standard borrowers, defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating or who might otherwise find it difficult to obtain finance from traditional sources on normal terms and conditions. The Guidelines are therefore applicable to all of the Mortgage Loans.

The actions of any broker or other intermediary involved in marketing the lender’s products can jeopardise the lender’s fitness to hold a consumer credit licence, and the Guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with

the Guidelines and all relevant statutory requirements. This is so even if the lender has no formal or informal control or influence over the broker.

The Guidelines are not primary or subordinate legislation. As such, they set out certain “principles” to be applied in the context of the non-standard residential mortgage market. The Guidelines place certain constraints on lenders in the non-standard 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 UK Residential Mortgage Market*”.

Mortgage Loans Regulated by the CCA

Currently, a credit agreement is regulated by the CCA where (a) the borrower is or includes an individual; (b) the amount of “**credit**” as defined in that Act does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement as defined under that Act.

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

A credit agreement that is wholly or partly regulated by the CCA or to be treated as such has to comply with requirements as to licensing of lenders and brokers, documentation and procedures of credit agreements, and (in so far as will be applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that it is regulated by the CCA or to be treated as such, the credit agreement is unenforceable against the borrower:

- (a) without an order of the OFT, if requirements as to licensing of lenders and brokers are not met;
- (b) totally, if the form to be signed by the borrower is not signed by the borrower personally or omits or misstates a “**prescribed term**”; or
- (c) (without a court order in other cases and in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability by the lender.

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

Under Section 75 of the CCA in certain circumstances: (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is to be treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier; and (b) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. Some of the Mortgage Loans in the Completion Mortgage Pool might be wholly or partly regulated by the CCA (and might give rise to liability under Section 75 of that Act) in that they also finance the supply of insurance under arrangements with the supplier. The Borrower may claim against the lender, or set off the amount of such claim against the amount owing by the Borrower under the relevant Mortgage Loan or any other mortgage loan that the Borrower has taken. Any such claim or set-off may adversely affect the ability of the Issuer to make payments to the Noteholders and the Instrumentholders.

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

In November 2002, the Department of Trade and Industry (the “**DTI**”) announced its intention that a credit agreement will be regulated by the CCA where, for credit agreements made after this change is implemented (a) the borrower is or includes an individual, save for partnerships of four or more partners; (b) irrespective of the amount of credit (although in July 2003, the DTI announced its intention that the financial limit will remain for certain business-to-business lending); and (c) the credit agreement is not an exempt agreement. In December 2003, the DTI published a White Paper proposing amendments to the CCA and to secondary legislation made under it.

In June 2004, secondary legislation was made on: (a) amending requirements as to documentation of credit agreements, coming into force on 31 May 2005, or 31 August 2005 for agreements given to the borrower for signature but not made before 31 May 2005; (b) pre-contract disclosure, coming into force on 31 May 2005; and (c) replacing the formula for calculating the maximum amount payable on early settlement with a formula more favourable to the borrower, coming into force on 31 May 2005 for new agreements, or 31 May 2007 or 31 May 2010 (depending on the term of the agreement) for agreements existing before 31 May 2005.

On 30 March 2006 the Consumer Credit Bill received Royal Assent as the Consumer Credit Act 2006 (“**Consumer Credit Act 2006**”). The Consumer Credit Act 2006, if brought fully into force by secondary legislation, will amend the CCA: (a) to remove the financial limit from the Consumer Credit Act in respect of credit for non-business lending, to retain the current limit for business lending and to remove lending to partnerships and other unincorporated bodies comprising four or more individuals; (b) to replace the provisions on extortionate credit with rules outlawing “unfair credit relationship”; (c) to strengthen the current consumer credit licensing system and the powers of the OFT; and (d) to introduce alternative penalties for breaches of the Consumer Credit Act which do not warrant revocation of the consumer credit licence.

Such amendments (if brought into force) may, for example, increase the possibility of a challenge to agreements on the basis of “unfairness” (with some retrospective application to existing agreements) and may result in more restrictions being placed upon the activities of consumer credit licence holders.

We are unable to determine and have no basis on which to predict accurately what effect these new provisions might have on the Mortgage Loans. No assurance can be given that the legislation and legislative proposals will not adversely affect the ability of the Issuer to make payments to the Noteholders and Instrumentholders.

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 including surety agreements entered into by consumers. If the proposed directive is finalised, member states will have two years in which to bring national implementing legislation into force. 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.

In its original form, the proposed directive will 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.

Additionally, in its original form, the proposed directive will not apply to residential mortgage loans originated before national implementing legislation comes into force, with exceptions; for example, the requirement for new underwriting will apply to any further advance made after national implementing legislation comes into force. Accordingly, if implemented in its original form, the proposed directive will apply to each Mortgage Loan that includes an equity release element, if the Mortgage Loan is originated, or a Further Advance is made within that Mortgage Loan, after the implementation date.

There has been significant opposition from the European Parliament to the original form of the proposed directive, and in January 2004, the European Parliament published a re-drafted form of the proposed directive. In its re-drafted form, the proposed directive will not apply to any loan secured by a mortgage on land. In October 2004, the European Commission published an amended form of the proposed

directive. In this amended form, the proposed directive will apply to any loan secured by a mortgage on land that includes an equity release element and is not over Euro 100,000, but is unclear whether it will apply to a further advance made after the implementation date under a contract existing before the implementation date.

There are some differences in opinion as to the extent to which mortgage lending should be included in the scope of the proposed directive, which may be substantially further amended before it is ultimately brought into effect. In February 2005, the DTI published a consultation paper on the form of the proposed directive published by the European Commission in October 2004 and in June 2005 a summary of responses to this consultation. 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 Mortgage Loans, the Seller, the Issuer, the Special Servicer or the Servicer 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 and Instrumentholders.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the “**Ombudsman**”) is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman’s opinion, would be fair and reasonable in all circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman may order a money award to the Borrower, which may have an adverse effect on the Mortgage Loans, the Seller, the Issuer and the Servicer and their respective businesses and operations.

Proposed changes to the Basel Capital Accord (“Basel II”)

The Basel Committee on Banking Supervision has published the text of the new capital accord under the title “Basel II: International Convergence on Capital Measurement and Capital Standards: a Revised Framework” (the “**Framework**”). This Framework, which places enhanced emphasis on market discipline and sensitivity to risk, will serve as the basis for national and supra-national rule-making and approval processes to continue and for banking organisations to complete their preparation for the implementation of the Framework during 2007 and 2008. The Framework will be put into effect for credit institutions in Europe via the recasting of a number of prior directives and referred to as the EU Capital Requirements Directive (“**CRD**”) the final text of which is expected to be published in the fourth quarter 2005. The Framework as published will, if not amended from its current form when implemented by regulators, affect risk-weighting of the Notes for investors subject to the new Framework following its implementation (whether via the CRD or otherwise by non-EU regulators). Consequently, Noteholders and Instrumentholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of any class of Notes or Instruments. The Issuer is not responsible for informing Noteholders or Instrumentholders, of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form).

Tax Considerations

Risk Relating to Introduction of International Financial Reporting Standards

The Issuer’s UK corporation tax position depends to a significant extent on the accounting treatment applicable to the Issuer. For accounting periods beginning on or after 1 January 2005, the Issuer’s accounts are required to comply with International Financial Reporting Standards (“**IFRS**”) or with new UK 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, be required to recognise in their accounts movements in the fair value of assets 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 contains legislation that allows “securitisation companies” to prepare tax computations for accounting periods beginning on or after 1 January 2008 (such date being subject to the enactment of the Finance (No.2) Bill 2006) on the basis of UK GAAP as applicable for a period of

account ending on 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Finance Act 2005 in addition confers extensive and detailed powers on the UK Treasury to make regulations setting out a permanent scheme of taxation for securitisation companies. In order for a company to qualify as a securitisation company, it is necessary for the company to satisfy a number of tests as at the closing of the relevant securitisation and the results of applying those tests therefore cannot be finally determined until the closing. However, the definition of “securitisation company” is designed to include companies such as the Issuer.

The stated policy of H. M. Revenue & Customs (“**HMRC**”), though, is that the tax neutrality of securitisation companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP, and it is working with participants in the securitisation industry to establish a permanent regime that would prevent any such disruption. However, if further extensions or measures are not introduced by HMRC to deal with accounting periods beginning on or after 1 January 2008 (such date being subject to the enactment of the Finance (No.2) Bill 2006) then the Issuer 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 the Noteholders, the Subordinated Noteholders the MERC Holders and the R Certificateholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement relating to information exchange with certain non-EU countries.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures. In addition, the Member States have entered into certain reciprocal arrangements with certain of those dependent or associated territories.

Withholding Tax under the Notes

In the event that withholding taxes are imposed in respect of payments due in respect of the Notes, neither the Issuer nor any Paying Agent nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts received as a result of the imposition of such withholding taxes. The imposition of such withholding taxes would entitle (but not oblige) the Issuer to redeem the Notes at their Principal Amount Outstanding (plus accrued and unpaid interest). See Condition 5(e) for further details.

Legal Considerations

European Monetary Union

Prior to the maturity of the Notes and Instruments, the United Kingdom may become a participating Member State in the European 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 Notes 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 and Subordinated Notes and the Mortgage Loans, or changes in the way those rates are calculated, quoted and published or displayed; and (iii) the Issuer may choose to redenominate the Notes into euro and take additional measures in respect of the Notes.

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 Mortgage 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 Notes and Instruments.

Change of Law

The structure of the issue of the Notes and Instruments and the ratings which are to be assigned to them, is based on English law, tax, accounting, regulatory and administrative practice in effect as at the date of this document. No assurance can be given as to the impact of any possible judicial decision or changes to English law, tax, accounting, regulatory or administrative practice or the interpretation thereof after the date of this document.

Insolvency Act 2000

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

The IA 2000 defines a “**small company**” by reference to whether the company meets certain tests contained in section 247(3) of the Companies Act 1985, relating to a company’s balance sheet total, turnover and average number of employees in a particular period. The position as to whether or not a company is a “**small company**” may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a “**small company**”. Accordingly, the Issuer may, at any given time, come within the ambit of the “small companies” provisions, such that the Issuer may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

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

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

Accordingly, the provisions described above will serve to limit the Trustee’s ability to enforce the Issuer Security to the extent that, first, the Issuer falls within the criteria for eligibility for a moratorium at the time a moratorium is sought; secondly, if the directors of the Issuer seek a moratorium in advance of a company voluntary arrangement; and, thirdly, if the Issuer is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the

relevant time; in those circumstances, the enforcement of any security by the Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders or Instrumentholders.

The Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 (the “**Enterprise Act**”) came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the “**Insolvency Act**”). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating chargeholder.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security which form part of a capital market arrangement (as defined in the Insolvency Act) and which involve indebtedness of at least £50,000,000 (or, when the relevant security document (being, in respect of the transactions described in these Listing Particulars, the Issuer Security Deed) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond). It is expected that the security which the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders or Instrumentholders.

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating chargeholder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating chargeholder does not respond to the directors’ or company’s notice of intention to appoint, the directors’ or, as the case may be, the company’s appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured parties is secondary. No assurance can be given that the primary purpose of the new provisions will not conflict with the interests of Noteholders or the Instrumentholders were the Issuer ever subject to administration.

The Enterprise Act also removes the Crown’s preferential rights in all insolvencies (section 251) and makes provisions to ensure that unsecured parties take the benefits of this change (section 252). Under this latter provision the unsecured parties 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 prescribed part will be 50 per cent. of the first £10,000 of floating charge assets; then 20 per cent. of the remaining floating charge assets until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the floating charge realisations are less than £100,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. 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.

Fixed Charges over Accounts May Take Effect under English law as Floating Charges

The Issuer will purport to grant, *inter alia*, fixed charges in favour of the Trustee over the Issuer's interest in the Issuer Transaction Account and any other bank account in which the Issuer has an interest.

The law in England and Wales relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the relevant account or the proceeds thereof for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges then certain matters, which are given priority over the floating charge by law, will be given priority over the claims of the floating chargeholder. See "*The Enterprise Act 2002*".

CREDIT STRUCTURE

General

The following is a summary of the structure and credit arrangements underlying the Notes and the Instruments. Such summary should be read in conjunction with information appearing elsewhere in these Listing Particulars.

The Notes and the Instruments will be obligations solely of the Issuer and (other than CIFG's obligations under the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest) will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes and Instruments will not be obligations of, and will not be guaranteed by, or be the responsibility of, the Seller, the Special Servicer, the Arranger, the Lead Manager, the Initial Instrumentholder, the Servicer, the Corporate Services Provider, the Share Trustee, the Account Bank, the Trustee, the Cash Manager, Holdings, the Master Servicer, the Paying Agents, the Registrar, the Transfer Agent, the Custodian, the Liquidity Facility Provider, the Agent Bank, the GIC Provider, the Swap Counterparty, the Cap Provider, the Originators, CIFG (other than CIFG's obligations under the CIFG Note Guarantee in respect of A3b Ultimate Principal and A3b Interest), Holdings, the Option Co. and/or anyone other than the Issuer, and none of the aforementioned entities 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 the Instruments.

Application of Cash Receipts

Pursuant to the Servicing Agreements, the Servicer will service the Mortgage Loans and provide certain information and reporting on the Mortgage Pool on a periodic basis. Pursuant to the Cash Management, Master Servicing and Account Bank Agreement, the Cash Manager and the Master Servicer will provide the Issuer with certain administration, calculation, notification, payment and reporting services in relation to amounts payable under, *inter alia*, the Notes and the Instruments.

The Servicer will, on a Mortgage Loan by Mortgage Loan basis, identify amounts received from the Borrowers, or otherwise paid or recovered in respect of the Mortgage Loans in each case (a) representing principal (the "**Principal Funds**") including principal amounts received representing monthly repayments of principal, redemption proceeds and amounts recovered on enforcement, sale or repurchase but excluding any receipts of principal relating to capitalised fees/interest and subsequently paid by the Borrowers, (b) amounts other than Principal Funds representing revenue including amounts of interest prepaid and received by the Seller on the Mortgage Loans up to but excluding the Issue Date (the "**Revenue Funds**") and (c) Mortgage Early Repayment Charges (including Ported Mortgage Early Repayment Charges) in each case during the period commencing on (but excluding) the tenth day of each calendar month, or in respect of the first Collection Period, 10 July 2006 (a "**Collection Date**") to (and including) the next Collection Date (the "**Collection Period**") in periodic reports delivered by it to the Issuer, the Trustee, the Special Servicer, the Seller, the Cash Manager and the Master Servicer. See "*Servicing and Special Servicing of the Mortgage Pool — Information and Reporting by Servicer and Special Servicer*".

The Master Servicer will reconcile the information contained in the reports it receives from the Servicer. The Master Servicer will be obliged to categorise amounts received under the Mortgage Loans together with all amounts of other cash received by the Issuer in respect of other sources available to the Issuer (including the Interest Rate Swap Agreement, the Interest Rate Cap Agreement and the Guaranteed Investment Contract) as either of a principal nature (such amounts, together with the Principal Funds, the "**Principal Receipts**") or of a revenue nature (such amounts, together with the Revenue Funds, the "**Revenue Receipts**") as soon as practicable. The Cash Manager will verify and reconcile to the allocation of cash, the information in the Master Servicer's report.

In addition, the Master Servicer will be obliged to identify and the Cash Manager will be obliged to pay, apply or make provision for amounts to be paid by the Issuer to the Noteholders, the Instrumentholders and other Secured Parties. See further the sections "*Calculation of Available Revenue Funds*" and "*Calculation of Actual Redemption Funds*" below.

Calculation of Available Revenue Funds

The Mortgage Rates applicable to the Borrowers in respect of the Mortgage Loans may vary in respect of different Borrowers and different types of Mortgage Loans. It is anticipated that, on the Issue Date, the revenue generated by applying the weighted average of the Mortgage Rates applicable to the

Mortgage Loans will, assuming that the Mortgage Loans are fully performing and that no extraordinary expenses have been incurred by the Issuer, exceed items (i) through (xv) (inclusive) of the Pre-Enforcement Interest Priority of Payments by an amount, calculated as a percentage of the initial principal balance of the Mortgage Loans, which, on the Issue Date, will be approximately 0.46 per cent. The actual amount of the excess will vary during the life of the Notes. Among the key factors determining such variations will be the level of delinquencies and defaults experienced, the level of prepayments, fees payable by the Borrowers, sundry fees payable to the Servicer and the Special Servicer and the weighted average of the Mortgage Rates applicable to the Mortgage Loans from time to time.

The Master Servicer is responsible, pursuant to the Cash Management, Master Servicing and Account Bank Agreement, for determining the amount of the Available Revenue Funds as at the third Business Day prior to each Payment Date (a “**Calculation Date**” and a “**Calculation Period**” is the period commencing on (and including) a Calculation Date (or in respect of the first Calculation Period, the Issue Date) to (but excluding) the next following Calculation Date). Each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Cash Manager, the Trustee, all Noteholders, Instrumentholders and all other Secured Parties and no liability to the Noteholders, Instrumentholders, any other Secured Party or any other person shall attach to the Issuer, the Cash Manager, the Trustee or (in such absence as aforesaid) the Master Servicer in connection therewith.

The amount of “**Available Revenue Funds**” on any Calculation Date will be the aggregate of:

- (a) Revenue Funds received during the three Collection Periods immediately preceding such Calculation Date;
- (b) amounts received under the Guaranteed Investment Contract;
- (c) amounts received under the Interest Rate Swap Agreement (including, subject to the paragraph below, any swap termination payments received from the Swap Counterparty under the Interest Rate Swap Agreement (the “**Swap Termination Amounts**”) but excluding amounts paid as collateral in respect of the Interest Rate Swap Agreement (and any income thereon) other than, following any early termination of the Interest Rate Swap Agreement, such portion of collateral that is not required to satisfy any swap termination payment due to the Swap Counterparty or to enter into replacement transactions with a replacement swap counterparty);
- (d) subject to the paragraph below, amounts (if any) received by the Issuer from a replacement swap counterparty in consideration for the Issuer entering into a replacement interest rate swap agreement with such replacement swap counterparty;
- (e) subject to the paragraph below, amounts (if any) received by the Issuer from a replacement cap provider in consideration for the Issuer entering into a replacement interest rate cap agreement with such replacement cap provider;
- (f) amounts received under the Interest Rate Cap Agreement (including, subject to the paragraph below, any cap termination payment received from the Cap Provider under the Interest Rate Cap Agreement (the “**Cap Termination Amounts**”) but excluding amounts paid as collateral in respect of the Interest Rate Cap Agreement (and any income thereon) other than, following any early termination of the Interest Rate Cap Agreement, such portion of collateral that is not required to satisfy any cap termination payment due to the Cap Provider or to enter into replacement transactions with a replacement Cap Provider); and
- (g) amounts standing to the credit of the Reserve Ledger (see the section “*Reserve Fund*” below), but excluding, for the avoidance of doubt, any Mortgage Early Repayment Charges, any amounts standing to the credit of the Liquidity Ledger and any amounts received from CFIG in respect of A3b Interest.

The inclusion in Available Revenue Funds of any Swap Termination Amounts and Cap Termination Amounts referred to in, respectively, paragraphs (c) and (f) above will only be to the extent of any excess of those termination amounts over the amount payable by the Issuer to any replacement swap counterparty, or as the case may be, replacement cap provider, in consideration for entering into a replacement interest rate swap agreement or, as the case may be, replacement interest rate cap agreement. Further, amounts referred to in paragraphs (d) and (e) above will only be included to the extent of any excess of those amounts over any termination amounts payable by the Issuer to the Swap Counterparty or, as the case may be, the Cap Provider under the Interest Rate Swap Agreement or, as the case may be, the Interest Rate Cap Agreement.

Available Revenue Funds will, to the extent sufficient, be used by the Cash Manager in payment, application or provision of the items in the Pre-Enforcement Interest Priority of Payments on each Payment Date, including towards reducing any Principal Deficiency.

Calculation of Actual Redemption Funds

The Master Servicer is responsible, pursuant to the Cash Management, Master Servicing and Account Bank Agreement, for determining the amount of the Actual Redemption Funds as at any Calculation Date and each determination so made shall (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Cash Manager, the Trustee, all Noteholders, Instrumentholders and all other Secured Parties and no liability to the Noteholders, Instrumentholders, any other Secured Party or any other person shall attach to the Issuer, the Cash Manager, the Trustee or (in such absence as aforesaid) the Master Servicer in connection therewith.

Actual Redemption Funds will, to the extent sufficient, be used by the Cash Manager in payment, application or provision of the items of the relevant Pre-Enforcement Principal Priority of Payments on each Payment Date.

Funding and Calculation of Committed Further Advances and Retentions

On any Calculation Date, the aggregate of:

- (a) the amount of Further Advances which the Seller is committed to advancing (but has not yet advanced) as at such date;
- (b) the amount which the Seller anticipates it will require for future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than £100,000 (the “**Further Advances and Retentions Minimum Amount**”); and
- (c) the amount of Retentions which the Seller is committed to release subject to the satisfaction of the relevant conditions,

(such aggregate amount, the “**Committed Further Advances and Retentions**”) will be transferred from the Principal Ledger to a ledger for that purpose (the “**Further Advances and Retentions Ledger**”). The amount of the Committed Further Advances and Retention Releases will be advised by the Special Servicer to the Cash Manager and the Master Servicer.

Available Capital Funds may be applied or set aside by the Issuer as calculated by the Master Servicer and as advised by the Cash Manager on any day for the making of such Further Advances and/or releasing of such Retentions by the Seller (the beneficial interest of which will be held by the Issuer) after all amounts then standing to the credit of the Further Advances and Retentions Ledger have been utilised.

Funding and Calculation of Committed Ported Mortgage Loans

On any Calculation Date, the aggregate of:

- (a) the aggregate principal amount of Ported Mortgage Loans which the Seller is committed to granting (but has not yet granted) as at such date together with the aggregate amount of related Ported Mortgage Early Repayment Charges which the Seller is committed to refunding (but has not yet refunded) as at such date; and
- (b) the aggregate principal amount which the Seller anticipates it will require for future (but uncommitted) Ported Mortgage Loans together with the aggregate amount of related Ported Mortgage Early Repayment Charges, such amount (in respect of this item (b) only) not to be greater than £100,000 (the “**Ported Mortgage Loans Minimum Amount**”);

(such aggregate amount, the “**Committed Ported Mortgage Loans**”) will be transferred from the Principal Ledger to a ledger for that purpose (the “**Ported Mortgage Loans Ledger**”). The amount of the Committed Ported Mortgage Loans will be advised by the Special Servicer to the Cash Manager and the Master Servicer.

Available Capital Funds may be applied or set aside by the Issuer as calculated by the Master Servicer and as advised by the Cash Manager on any day for the making of such Ported Mortgage Loans by the Seller (the beneficial interest of which will be held by the Issuer) after all amounts then standing to the credit of the Ported Mortgage Loans Ledger have been utilised.

Available Redemption Funds

On any Payment Date, Available Redemption Funds will be applied in crediting, on a *pro rata* and *pari passu* basis, the Further Advances and Retentions Ledger (to the extent necessary to replenish and maintain the Further Advances and Retentions Minimum Amount) and the Ported Mortgage Loans Ledger (to the extent necessary to replenish and maintain the Ported Mortgage Loans Minimum Amount) in accordance with item (i) of the relevant Pre-Enforcement Principal Priority of Payments.

The amount of “**Actual Redemption Funds**” as at any Calculation Date is an amount calculated by the Master Servicer as the aggregate of:

- (a) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of each of the Further Advances and Retentions Ledger and the Ported Mortgage Loans Ledger as at such Calculation Date; and
- (b) the amount (if any) calculated by the Master Servicer on such Calculation Date to be the amount by which the debit balance on any Principal Deficiency Sub-Ledger is expected to be reduced pursuant to the Pre-Enforcement Interest Priority of Payments by the application of Available Revenue Funds on the immediately succeeding Payment Date;

less

- (c) the Committed Further Advances and Retentions calculated on such Calculation Date; and
- (d) the Committed Ported Mortgage Loans calculated on such Calculation Date.

For the purpose of the foregoing:

“**Available Capital Funds**” means, on any day during an Interest Period (including on a Calculation Date), an amount represented by the amount standing to the credit of the Principal Ledger at the close of business on the preceding day, less, in the period between the Calculation Date and the application of Actual Redemption Funds on the related Payment Date, the amount of such Actual Redemption Funds calculated on the relevant Calculation Date.

Actual Redemption Funds will, to the extent sufficient, be used by the Cash Manager to redeem the Notes in accordance with the relevant Pre-Enforcement Principal Priority of Payments.

Permitted Withdrawals from the Issuer Transaction Account

Prior to the service of an Enforcement Notice by the Trustee, certain amounts may be withdrawn by the Cash Manager from the Issuer Transaction Account as provided in the Cash Management, Master Servicing and Account Bank Agreement, during any Calculation Period to make payments required to be made by the Issuer, such as to fund Further Advances, Retentions or Ported Mortgage Loans to Borrowers, to pay amounts due to HMRC (or other UK taxation authority any amount due), to make payments to the Servicer pursuant to the Servicing Agreements or to the Special Servicer under the Special Servicer Agreements, to cover any cost in relation to the execution of a replacement interest rate swap agreement (having first used any Swap Termination Amounts received from the Swap Counterparty in respect of termination of the Interest Rate Swap Agreement and any collateral in relation thereto), to cover any cost in relation to the execution of a replacement interest rate cap agreement (having first used any Cap Termination Amounts received from the Cap Provider in respect of termination of the Interest Rate Cap Agreement and any collateral in relation thereto), to pay amounts under any indemnities for claims by third parties (including the costs of any Originator taking legal proceedings or any other action against a solicitor or valuer) pursuant to the terms of the Original Mortgage Sale Agreements and to pay the Seller interest accruing and all other sums received by it on the Mortgage Loans up to but not including the Issue Date.

CIFG Note Guarantee

Under the CIFG Note Guarantee, CIFG will guarantee all payments due to the holders of the A3b Notes in respect of A3b Interest and A3b Ultimate Principal. The Trustee may only make a claim on the CIFG Note Guarantee to make payments in respect of A3b Interest to the extent that there are both insufficient Available Revenue Funds and insufficient amounts available under the Liquidity Facility to fund such shortfall. The Trustee may only make a claim on the CIFG Note Guarantee in respect of A3b Ultimate Principal to the extent that there remains a Principal Deficiency on the A3b Notes after the subsequent

application of Available Revenue Funds towards any A Principal Deficiency in accordance with item (vii) of the Pre-Enforcement Interest Priority of Payments and after the application of Actual Redemption Funds in accordance with the relevant Pre-Enforcement Principal Priority of Payments. See “*Form of CIFG Note Guarantee*” below for a more detailed description of the extent of CIFG’s obligations under the CIFG Note Guarantee.

Liquidity Facility

The Liquidity Facility shall be a 364-day committed liquidity facility in an initial Liquidity Facility Amount of £31,985,000. The Issuer will be entitled, only prior to the service of an Enforcement Notice by the Trustee, on any Payment Date to make drawings up to the Liquidity Facility Amount under the Liquidity Facility pursuant to the Liquidity Facility Agreement, any such drawing to be initially credited to the Issuer Transaction Account and recorded in a ledger maintained by the Cash Manager established for such purposes (the “**Liquidity Ledger**”) to the extent that, after the application of the Available Revenue Funds, there are insufficient amounts available for distribution to meet the items set out in paragraphs (i) to (xiv) other than (vii), (ix), (xi) and (xiii) (inclusive) (the “**Revenue Shortfalls**”) of the Pre-Enforcement Interest Priority of Payments on a Payment Date, provided that no drawings from the Liquidity Ledger may be made to meet interest payments on the B Notes, the C Notes, the D Notes or, as the case may be, the E Notes, to the extent that, after the application of the Available Revenue Funds, the B Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 50 per cent. of the then aggregate Principal Amount Outstanding of the B Notes or, as the case may be, the C Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 50 per cent. of the then aggregate Principal Amount Outstanding of the C Notes or, as the case may be, the D Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 50 per cent. of the aggregate Principal Amount Outstanding of the D Notes or, as the case may be, the E Principal Deficiency Sub-Ledger would have a debit balance equal to or greater than 35 per cent. of the aggregate Principal Amount Outstanding of the E Notes. Drawings credited to the Liquidity Ledger on any Payment Date will be transferred to the Revenue Ledger on that Payment Date for application in or towards the Revenue Shortfalls on that Payment Date. Likewise, any amounts in relation to principal due to be paid to the Liquidity Facility Provider in accordance with the Pre-Enforcement Interest Priority of Payments will be transferred from the Revenue Ledger to the Liquidity Ledger and the balance adjusted accordingly on the Business Day before the relevant 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.

Drawings under the Liquidity Facility will be of a revolving nature repayable in full on the Payment Date following the date of such drawing. Interest on each drawing will accrue at a margin above LIBOR for the relevant period and will be payable together with accrued interest (if any) on the Payment Date following such drawing. A commitment fee will be payable on the undrawn amount of the Liquidity Facility on each Payment Date.

If (a) the short-term, unsecured, unsubordinated and unguaranteed credit rating of the Liquidity Facility Provider falls below F1 by Fitch, (for so long as the A Notes are outstanding) P-1 by Moody’s and A-1+ by S&P (the “**Required Liquidity Facility Provider Rating**”) or (b) the Liquidity Facility Provider has its short-term rating withdrawn by either Rating Agency and, in the case of either paragraph (a) or (b), is not replaced within 30 days of notification of such downgrade or withdrawal or (c) the Liquidity Facility is not renewed or, as the case may be, an alternative liquidity facility is not renewed such that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) are not adversely affected, the Issuer will forthwith draw down the entirety of the undrawn portion of the Liquidity Facility and credit such amount to the Liquidity Ledger (the “**Standby Drawing**”). The date upon which such amount is drawn down is the “**Liquidity Drawdown Date**”.

Any Standby Drawing will, on the Liquidity Drawdown Date, be deposited by the Issuer into a deposit account (the “**Standby Drawing Account**”) with a bank whose short-term, unsecured, unsubordinated and unguaranteed credit rating is at least the Required Liquidity Facility Provider Rating or such other rating as would maintain the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings). If the short-term, unsecured, unsubordinated and unguaranteed credit rating of the Liquidity Facility Provider is restored to the Required Liquidity Facility Provider Rating by the Rating Agencies or an Enforcement Notice is served by the Trustee, any Standby Drawing will be repaid to the Liquidity Facility Provider. A Standby Drawing may be utilised by the Issuer in the same circumstances in which the Issuer would have been able to utilise the Liquidity Facility prior to such Standby Drawing being made.

If a Standby Drawing is made, the Issuer shall pay to the Liquidity Facility Provider all interest earned on the Standby Drawing Account and the Issuer shall pay commitment fees in respect of the Liquidity Facility as if the Standby Drawing had not been made. If the Standby Drawing is used for liquidity purposes, the Issuer shall pay the Liquidity Facility Provider interest on the utilised amount (as if such amount were a drawing under the Liquidity Facility) but shall cease to pay the commitment fees in relation to the utilised amount (as if such amount were a drawing under the Liquidity Facility) and shall only pay the commitment fee on the unutilised portion of the Standby Drawing. In the event that the Liquidity Facility Amount is reduced, a corresponding amount will be released to the Liquidity Facility Provider from the Standby Drawing Account to the extent available.

Amounts paid to the Liquidity Facility Provider in accordance with item (iv) of the Pre-Enforcement Interest 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 Payment Date to the extent set out above in this section. All amounts drawn under the Liquidity Facility will rank in point of priority ahead of payments of interest on the Notes. Upon service of an Enforcement Notice by the Trustee, all amounts drawn under the Liquidity Facility will rank in priority to all payments on the Notes.

“**Available Commitment**” means the Liquidity Facility Amount less the outstanding advances, taking into account any repayment thereof.

“**Liquidity Drawn Amount**” means, on any Calculation Date: (a) at any time prior to any Liquidity Drawdown Date, the amount then drawn under the Liquidity Facility and not repaid together with all accrued interest up to (but excluding) the related Payment Date pursuant to the Liquidity Facility Agreement; and (b) at any time on or after the Liquidity Drawdown Date, the difference between the Liquidity Facility Amount and the Available Commitment under the Liquidity Facility as at the last day of the month immediately preceding such Calculation Date.

“**Liquidity Facility Amount**” means 5.75 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date (or such other amount as agreed by the Rating Agencies, such Rating Agencies having confirmed that the rating of any class of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected thereby), subject to reduction in accordance with the terms of the Liquidity Facility.

Under the terms of the Liquidity Facility, the Liquidity Facility Amount shall be reduced on each Payment Date falling on or after the first Payment Date on which the initial Liquidity Facility Amount is greater than or equal to 10 per cent. of the then aggregate Principal Amount Outstanding of the Notes following application of the Actual Redemption Funds on such Payment Date, to an amount which is the greater of:

- (a) 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the relevant Payment Date; and
- (b) 1 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date.

No such reduction shall be permitted on a Payment Date if:

- (a) such Payment Date falls on or before the date falling two years after the Issue Date;
- (b) there is a debit balance on any of the Principal Deficiency Sub-Ledgers;
- (c) any party is in breach of any of its obligations under any Transaction Document;
- (d) any amount is then outstanding under the Liquidity Facility;
- (e) the Reserve Fund is less than the Reserve Fund Required Amount;
- (f) the aggregate value of the principal losses experienced on the Mortgage Pool (whether or not such losses form part of the Principal Deficiency Sub-Ledgers at such time) at the immediately preceding Calculation Date is greater than 1.25 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date; or
- (g) as at the immediately preceding Payment Date the aggregate balance of Mortgage Loans in respect of which payment is 90 days or more in arrears is higher than 17 per cent. of the aggregate balance of all Mortgage Loans in the Mortgage Pool.

Reserve Fund

To provide limited coverage for shortfalls in amounts under items (i) to (xv) (inclusive) of the Pre-Enforcement Interest Priority of Payments (the “**Senior Payments**”), the Issuer will establish a reserve

fund (the “**Reserve Fund**”) in the initial amount of £3,338,000 (being approximately equal to 0.60 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date). The Reserve Fund shall be funded on the Issue Date from the net proceeds of the Subordinated Notes.

“**Reserve Fund Required Amount**” means £3,338,000 (being approximately equal to 0.60 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date) provided that on each Payment Date falling on or after the first Payment Date on which the Reserve Fund is equal to or greater than 1.20 per cent. of the then aggregate Principal Amount Outstanding of the Notes (the “**Reserve Fund Determination Date**”) and provided further that:

- (a) all balances on each of the Principal Deficiency Sub-Ledgers are zero;
- (b) there is no Liquidity Drawn Amount before the Reserve Fund Determination Date;
- (c) the amount standing to the credit of the Reserve Ledger is equal to or greater than the Reserve Fund Required Amount as of the relevant Reserve Fund Determination Date;
- (d) the aggregate balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 17 per cent. of the aggregate balance of all the Mortgage Loans in the Mortgage Pool;
- (e) the aggregate balance of all Mortgage Loans foreclosed in the Mortgage Pool does not exceed 2.25 per cent. of the original balance of the Mortgage Pool; and
- (f) the aggregate value of the principal losses experienced on the Mortgage Pool (whether or not such losses form part of the Principal Deficiency Sub-Ledgers at such time) from the Issue Date until the relevant Reserve Fund Determination Date are lower than 1.25 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date,

the Reserve Fund Required Amount will be reduced to an amount equal, on such Reserve Fund Determination Date, to the greater of £2,003,000 (or approximately 0.36 per cent. of the initial Principal Amount Outstanding of the Notes on the Issue Date) and 1.20 per cent. of the then Principal Amount Outstanding of the Notes.

The “**Reserve Fund Excess**” on any Payment Date means the Reserve Fund Required Amount on the Payment Date immediately preceding such Payment Date less the Reserve Fund Required Amount on such Payment Date and the “**Cumulative Reserve Fund Excess**” on any Payment Date means the Reserve Fund Excess on such Payment Date together with any amounts previously due as Reserve Fund Excess but unpaid.

On any Payment Date, to the extent that amounts are available after payment of any Senior Payments, 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 (xvi) of the Pre-Enforcement Interest Priority of Payments. All amounts credited to the Reserve Fund will be recorded in a ledger for that purpose (the “**Reserve Ledger**”). On any Payment Date, any amount available for deposit in the Reserve Fund in excess of the Reserve Fund Required Amount will be applied in accordance with the Pre-Enforcement Interest Priority of Payments.

On any Payment Date on which the Notes are redeemed in full, the Reserve Fund will be applied towards Available Revenue Funds and the Reserve Fund Required Amount will not be replenished.

Collection Accounts

The GMAC-RFC Pool Borrowers will make all payments (including any amounts calculated by reference to the Mortgage Early Repayment Charges) into the GMAC-RFC Pool Collection Account and the KMC Pool Borrowers will make all payments (including any amounts calculated by reference to the Mortgage Early Repayment Charges) into the KMC Pool Collection Account. Payments due on the majority of the Mortgage Loans are settled by direct debit. The payments due from the Borrowers collected by direct debits are deposited on the same or next Business Day into the GMAC-RFC Pool Collection Account or the KMC Pool Collection Account, as appropriate. Amounts standing to the credit of the Collection Accounts will be swept on a daily basis into the Issuer Transaction Account or as soon as practicable thereafter. The Seller will declare a trust over the Collection Accounts in favour of the Issuer, the Trustee and itself (the “**Collection Accounts Declaration of Trust**”).

Issuer Transaction Account and Guaranteed Investment Contract

The Issuer Transaction Account will be held with the Account Bank. Amounts payable to the Issuer will be transferred to the Issuer Transaction Account, including payments received from Borrowers on the

Mortgage Loans transferred from the Collection Accounts, the Reserve Fund Required Amount, drawings made under the Liquidity Facility, payments received under the Guaranteed Investment Contract, payments received from the Swap Counterparty pursuant to the Interest Rate Swap Agreement and from the Cap Provider under the Interest Rate Cap Agreement. Pursuant to the terms of the Guaranteed Investment Contract, the GIC Provider will contract to pay a specific rate of interest on funds on deposit in the Issuer Transaction Account which will accrue on a daily basis. The GIC Provider will, on each Calculation Date, deposit the aggregate of such accrued amounts during the three month period immediately preceding each Calculation Date (the “**GIC Period**”).

The short-term, unsecured, unsubordinated and unguaranteed debt obligations of Barclays Bank plc are currently rated F1 by Fitch, (for so long as the A Notes are outstanding) P-1 by Moody’s and A-1+ by S&P and if the rating of short-term, unsecured, unsubordinated and unguaranteed debt of the GIC Provider or any replacement falls below F1 by Fitch, (for so long as the A Notes are outstanding) P-1 by Moody’s and A-1+ by S&P (the “**Required GIC Provider Ratings**”) or the rating then required to maintain the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings), then the Cash Manager will, within 30 days of notification of such downgrade, transfer the Guaranteed Investment Contract to an alternative GIC provider which meets the Required GIC Provider Ratings such that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) are not adversely affected.

If the short-term, unsecured, unsubordinated and unguaranteed rating of the debt of the Account Bank or any replacement falls below F1 by Fitch, (for so long as the A Notes are outstanding) P-1 by Moody’s and A-1+ by S&P (the “**Required Account Bank Ratings**”), or the rating then required to maintain the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings), then the Cash Manager will, within 30 days of notification of such downgrade, transfer the Issuer Transaction Account to an alternative Account Bank which meets the Required Account Bank Ratings such that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) are not adversely affected.

Use of Ledgers

The Issuer will be required to record or cause to be recorded all Revenue Receipts in a ledger established for that purpose (the “**Revenue Ledger**”), all Principal Receipts in a ledger established for that purpose (the “**Principal Ledger**”) and all Mortgage Early Repayment Charges in a ledger established for that purpose (the “**MERCs Ledger**”). The Further Advances and Retentions Ledger, the Ported Mortgage Loans Ledger, the Liquidity Ledger and the Reserve Ledger (each of which are described above) together with the Revenue Ledger, the Principal Ledger and the MERCs Ledger are together referred to as the “**Ledgers**”. The Ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time.

Principal Deficiency Ledger

A principal deficiency ledger (the “**Principal Deficiency Ledger**”) comprising five sub-ledgers, known as the “**A Principal Deficiency Sub-Ledger**”, the “**B Principal Deficiency Sub-Ledger**”, the “**C Principal Deficiency Sub-Ledger**”, the “**D Principal Deficiency Sub-Ledger**” and the “**E Principal Deficiency Sub-Ledger**”, (respectively and collectively, the “**Principal Deficiency Sub-Ledgers**”), will be established by the Cash Manager in order to record any principal deficiencies in respect of any class of Notes as they occur (each, respectively, the “**A Principal Deficiency**”, the “**B Principal Deficiency**”, the “**C Principal Deficiency**”, the “**D Principal Deficiency**” and the “**E Principal Deficiency**”, and each a “**Principal Deficiency**”). Any Principal Deficiency shall be debited (a) first, to the E Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the E Notes (the “**E Note Principal Deficiency Limit**”), (b) second, to the D Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the D Notes (the “**D Note Principal Deficiency Limit**”), (c) third, to the C Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the C Notes (the “**C Note Principal Deficiency Limit**”), (d) fourth, to the B Principal Deficiency Sub-Ledger so long as the debit balance on such sub-ledger is less than or equal to the Principal Amount Outstanding of the B Notes (the “**B Note Principal Deficiency Limit**”) and (e) fifth, to the A Principal Deficiency Sub-Ledger. For the avoidance of doubt, the A Principal Deficiency will relate to the A1 Notes, the A2 Notes, the A3a Notes and the A3b Notes *pro rata*. A Principal Deficiency will be recorded on the relevant Principal Deficiency Sub-Ledger in respect of any amount of

principal which remains outstanding under any Mortgage Loan after completion by the Servicer of arrears and default procedures. Amounts allocated to each Principal Deficiency Sub-Ledger shall be reduced to the extent of Available Revenue Funds available therefor on any Payment Date in accordance with the Pre-Enforcement Interest Priority of Payments.

Subordination of B Notes, C Notes, D Notes and E Notes

Prior to the service of an Enforcement Notice by the Trustee and other than when the Pro Rata Redemption Conditions are satisfied (a) the B Notes are subordinated in right of payment of interest and principal to the A Notes; (b) the C Notes are subordinated in right of payment of interest and principal to the A Notes and the B Notes; (c) the D Notes are subordinated in right of payment of interest and principal to the A Notes, the B Notes and the C Notes; and (d) the E Notes are subordinated in right of payment of interest and principal to the A Notes, the B Notes, the C Notes and the D Notes.

Prior to the service of an Enforcement Notice by the Trustee, holders of each class of Notes which is junior to the Most Senior Class of Notes will not be entitled to receive any payment of interest, unless and until all amounts then due to, *inter alios*, the holders of the Most Senior Class of Notes and all amounts then due to the Liquidity Facility Provider and the Swap Counterparty (other than Swap Counterparty Default Payments) and to cure any A Principal Deficiency then existing have been paid in full, in accordance with the Pre-Enforcement Interest Priority of Payments.

If on any Calculation Date there are insufficient funds available to make payment in full of amounts of interest due and payable on each class of Notes junior to the Most Senior Class of Notes then, to that extent, interest on such Notes shall be deferred until the next Payment Date on which there are sufficient funds available, as more fully described in Condition 4(f). There will be no deferral of any amounts due and payable on the Most Senior Class of Notes.

Each class of Notes will be constituted by the Trust Deed and will share the same security although, upon service of an Enforcement Notice by the Trustee, the A Notes will rank in priority to the B Notes, the C Notes, the D Notes and the E Notes in point of security; the B Notes will rank in priority to the C Notes, the D Notes and the E Notes in point of security; the C Notes will rank in priority to the D Notes and the E Notes in point of security; and the D Notes will rank in priority to the E Notes in point of security. Mortgage Early Repayment Charges (other than Ported Mortgage Early Repayment Charges) will be paid to MERC Holders. Such amounts will not be available, before or after service of an Enforcement Notice by the Trustee, for application towards repayment of amounts due to Noteholders, Subordinated Noteholders or R Certificateholders. Prior to and following the service of an Enforcement Notice by the Trustee, payment of interest and principal of the Subordinated Notes will rank behind the Notes as to payment of interest but will rank in priority to payments on the R Certificates. Prior to and following the service of an Enforcement Notice by the Trustee, payment of amounts in respect of the R Certificates will rank behind payments on the Notes, the MERCs and the Subordinated Notes. See also “*Risk Factors — Risks Related to the Notes — Subordination of the B Notes, C Notes, D Notes and E Notes*” and “*— Risks Related to the Mortgage Loans*”.

Interest Rate Cap Agreement

To hedge against interest rate exposure arising from the possibility of Mortgage Loans becoming non-performing if Note LIBOR exceeds 8 per cent. the Issuer will enter into the Interest Rate Cap Transaction on the Issue Date for a period of approximately 5 years and will in accordance with the terms of the Interest Rate Cap Agreement and the Pre-Enforcement Interest Priority of Payments pay a periodic fee in respect of this to the Cap Provider. Under the Interest Rate Cap Transaction, the Cap Provider will pay to the Issuer on each Payment Date, the difference between (a) the amount produced by applying LIBOR (determined in accordance with the terms of the Interest Rate Cap Transaction) for the relevant Interest Period to the Notional Amount and (b) the amount produced by applying 8 per cent. to the Notional Amount for the same Interest Period (if such figure is positive).

In the event that the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider cease to be rated at least F1 by Fitch, A-1 by S&P or (for so long as the A Notes are outstanding) P-1 by Moody's, or its long-term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A+ by Fitch or (for so long as the A Notes are outstanding) A1 by Moody's (the “**Required Cap Provider Ratings**”), then the Issuer has the right (provided that, if such termination would result in a payment becoming due to the Cap Provider, it has been able to find a replacement cap provider to enter into a replacement cap transaction) to terminate the Interest Rate Cap Transaction unless the Cap Provider, within 30 days of such cessation, at its own cost either:

- (i) procures a third party with the Required Cap Provider Ratings of Fitch and/or S&P and/or Moody's (as applicable) or who is otherwise approved by Fitch and/or S&P and/or Moody's (as applicable) to become co-obligor or guarantor in respect of the Cap Provider's obligations under the Interest Rate Cap Agreement; or
- (ii) transfers all of its rights and obligations under the Interest Rate Cap Agreement to a replacement third party that has all of the Required Cap Provider Ratings or who is otherwise approved by Fitch, S&P and Moody's (as applicable); or
- (iii) provides collateral for its obligations in accordance with the terms of the Interest Rate Cap Agreement and on terms acceptable to Fitch and/or S&P and/or Moody's (as applicable); or
- (iv) takes such other action satisfactory to Fitch and/or S&P and/or Moody's (as applicable) to maintain the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings).

In the event that the unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider cease to be rated as high as: (a) in the case of short-term debt obligations, F3 as determined by Fitch and (for so long as the A Notes are outstanding) P-2 as determined by Moody's or (b) in the case of long-term debt obligations, BBB- as determined by Fitch and (for so long as the A Notes are outstanding) A3 as determined by Moody's, then the Issuer will have the right (provided that, if such termination would result in a payment becoming due to the Cap Provider, it has been able to find a replacement cap provider to enter into a replacement cap transaction) to terminate the Interest Rate Cap Transaction unless the Cap Provider at its own cost takes any of the actions described in (i), (ii) or (iv) above in the time frame prescribed in the Interest Rate Cap Agreement and, in the case of Moody's only, provides collateral in accordance with (iii) above until such action is taken.

In the event that the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Cap Provider are downgraded below BBB- by S&P, then the Issuer has the right (provided that if such termination would result in a payment becoming due to the Cap Provider, it has been able to find a replacement counterparty to enter into a replacement cap transaction) to terminate the Interest Rate Cap Transaction unless the Cap Provider, within 10 days of such downgrade and at its own cost, transfers its obligations under the Interest Rate Cap Agreement as described in paragraph (ii) above.

The Interest Rate Cap Transaction may, in addition, be terminated by the Cap Provider in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments, where certain insolvency-related or corporate reorganisation events affect the Issuer, in the event that proceedings are taken against the Issuer by the Trustee to enforce payment of the Notes or if the Notes are redeemed in full. The Interest Rate Cap Transaction may be terminated by the Issuer in circumstances including, broadly where the Cap Provider is in default by reason of failure to make payments, where the Cap Provider is otherwise in breach of the Interest Rate Cap Agreement or has made certain misrepresentations, where certain insolvency-related or corporate reorganisation events affect the Cap Provider, where certain tax representations given by the Cap Provider prove to be incorrect, where there is a merger without assumption in respect of the Cap Provider and where the Cap Provider or any credit support provider of the Cap Provider defaults under any credit support document.

If the Issuer becomes obliged to withhold tax from any payment due by it under the Interest Rate Cap Agreement, such tax shall be withheld and paid over to the relevant authorities and the Issuer will not be obliged to gross up its payment to the Cap Provider. In the event of an imposition of any tax on any payment due by a Cap Provider to the Issuer under the Interest Rate Cap Agreement, the Cap Provider will be obliged to gross up for the tax so withheld. However, if any such withholding or deduction is required resulting from a change in law or change in application of the relevant law or a merger of a party or transfer of its assets, which cannot be avoided by both parties, the Cap Provider may terminate the Interest Rate Cap Agreement whereupon, in accordance with accepted market practice, the cost or gain (if any) to the Issuer of entering into a replacement transaction, which would have the effect of preserving the economic equivalent of all future payments which would otherwise have been due, will be calculated and a termination payment made. The Interest Rate Cap Transaction may be terminated early by the Issuer or the Cap Provider in the event that there are changes in law resulting in illegality of the obligations to be performed by either party.

Upon termination of the Interest Rate Cap Transaction, either party may be required to make a termination payment to the other, depending on the circumstances then prevailing.

Where the Cap Provider provides collateral in accordance with the terms of the Interest Rate Cap Agreement, such collateral will, upon receipt by the Issuer, be credited to a separate ledger (created to

record such amounts) and transferred (if in cash form) to the Issuer Transaction Account or such other account established for such purpose (provided that any such account shall be maintained in England). Any collateral provided by the Cap Provider will not form part of the Available Revenue Funds, the Actual Redemption Funds or the Charged Assets except to the extent of any such collateral retained by the Issuer following the termination of the Interest Rate Cap Transaction other than such portion of collateral that is not required to satisfy any termination payment due to the Cap Provider or to enter into a replacement transaction with a replacement cap provider.

Interest Rate Swap Agreement

In order to hedge the interest rate risk arising by virtue of the difference between Bank of England repo rate (by reference to which the Mortgage Rate is calculated under the Bank of England Repo Rate-Linked Mortgage Loans) and Note LIBOR, the Issuer will on the Issue Date enter into the BBR-LIBOR Basis Swap Transaction with the Swap Counterparty. Under the BBR-LIBOR Basis Swap Transaction, on each Payment Date, the Issuer will pay to the Swap Counterparty an amount equal to the product of (1) the average of the Bank of England repo rate during the period from (and including) the 16th day of the calendar month in which the preceding Payment Date falls (or, in respect of the first Payment Date, from (and including) the Issue Date) (the “**Reference Period Commencement Date**”) to (but excluding) the 16th day of the calendar month during which that Payment Date falls and (ii) the aggregate outstanding principal balance of Non Defaulted Bank of England Repo Rate-Linked Mortgage Loans (save for the Fixed-Reverting to SVR Mortgage Loans to the extent they accrue a fixed rate of interest) in the Mortgage Pool on the Reference Period Commencement Date (the “**IRBS Notional Amount**”) pro rated to the calculation period applicable to the Issuer (as set out in the BBR-LIBOR Basis Swap Transaction confirmation). The Swap Counterparty will pay to the Issuer on each Payment Date an amount obtained by applying LIBOR (as determined in accordance with the terms of the BBR-LIBOR Basis Swap Transaction on the preceding Payment Date, or in respect of the first Payment Date, the Issue Date) less a margin to the relevant IRBS Notional Amount pro rated to the calculation period applicable to the Swap Counterparty (as set out in the BBR-LIBOR Basis Swap Transaction confirmation).

In order to hedge the interest rate risk arising by virtue of the difference between LIBOR (by reference to which the Mortgage Rate is calculated under the LIBOR-Linked Mortgage Loans) and Note LIBOR, the Issuer will enter into the LIBOR Basis Swap Transaction with the Swap Counterparty. Under the LIBOR Basis Swap Transaction, the Issuer and the Swap Counterparty will, on each Payment Date, make payments to each other based on the outstanding principal balance of the Non Defaulted LIBOR-Linked Mortgage Loans (save for the Fixed Reverting to KVR Mortgage Loans, to the extent they accrue a fixed rate of interest) on the preceding Payment Date (or, in respect of the first Payment Date, the Issue Date). The LIBOR rate applicable to the payments by the Issuer is determined on the penultimate Business Day (as defined in the LIBOR Basis Swap Transaction confirmation) of the calendar month in which the previous Payment Date (or Issue Date, as the case may be) fell, and the LIBOR rate applicable to payments by the Swap Counterparty is determined on the preceding Payment Date (or Issue Date, as the case may be).

In order to hedge the interest rate risk arising by virtue of the difference between (a) the fixed rate of interest during the fixed rate period in which the Mortgage Rate is calculated under each of the Fixed Reverting to SVR Mortgage Loans and the Fixed Reverting to KVR Mortgage Loans and (b) Note LIBOR, the Issuer will on the Issue Date enter into the Fixed-LIBOR Swap Transaction with the Swap Counterparty. Under the Fixed-LIBOR Swap Transaction, on each Payment Date, the Issuer will pay to the Swap Counterparty an amount equal to the product of: (i) a weighted average of the fixed rate of interest specified to be applicable to the Fixed Reverting to SVR Mortgage Loans and the fixed rate of interest specified to be applicable to the Fixed Reverting to KVR Mortgage Loans and (ii) the aggregate outstanding principal balance of the Non Defaulted Fixed Reverting to SVR Mortgage Loans and the Fixed Reverting to KVR Mortgage Loans on the Reference Period Commencement Date (pro rated to the calculation period applicable to the Issuer as set out in the Fixed-LIBOR Swap Transaction confirmation). The Swap Counterparty will pay to the Issuer on each Payment Date an amount obtained by applying LIBOR (as determined in accordance with the terms of the Fixed-LIBOR Swap Transaction on the preceding Payment Date or, in respect of the first Payment Date, the Issue Date) to the aggregate outstanding principal balance of the relevant Non Defaulted Fixed Reverting to LIBOR Mortgage Loans and the Fixed Reverting to KVR Mortgage Loans as determined on the Reference Period Commencement Date (pro rated to the calculation period applicable to the Swap Counterparty as set out in the Fixed-LIBOR Swap Transaction confirmation).

In the event that the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated F1 by Fitch, A-1 by S&P or (for so long as the A Notes are outstanding) P-1 by Moody's, or its long-term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A+ by Fitch or (for so long as the A Notes are outstanding) A1 by Moody's (the "**Required Swap Counterparty Ratings**"), then the Issuer has the right (provided that, if such termination would result in a payment becoming due to the Swap Counterparty, it has been able to find a replacement swap counterparty to enter into replacement swap transactions) to terminate the Swap Transactions unless the Swap Counterparty, within 30 days of such cessation, at its own cost either:

- (i) procures a third party with the Required Swap Counterparty Ratings of Fitch and/or S&P and/or Moody's (as applicable) or who is otherwise approved by Fitch and/or S&P and/or Moody's (as applicable) to become co-obligor or guarantor in respect of the Swap Provider's obligations under the Interest Rate Swap Agreement; or
- (ii) transfers all of its rights and obligations under the Interest Rate Swap Agreement to a replacement third party that has all of the Required Swap Counterparty Ratings or who is otherwise approved by Fitch, S&P and Moody's (as applicable); or
- (iii) provides collateral for its obligations in accordance with the terms of the Interest Rate Swap Agreement and on terms acceptable to Fitch and/or S&P and/or Moody's (as applicable); or
- (iv) takes such other action satisfactory to Fitch and/or S&P and/or Moody's (as applicable) to maintain the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings).

In the event that the unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated as high as: (a) in the case of short-term debt obligations, F3 as determined by Fitch and (for so long as the A2 Notes are outstanding) P-2 as determined by Moody's or (b) in the case of long-term debt obligations, BBB- as determined by Fitch and (for so long as the A2 Notes are outstanding) A3 as determined by Moody's, then the Issuer will have the right (provided that, if such termination would result in a payment becoming due to the Swap Counterparty, it has been able to find a replacement swap counterparty to enter into replacement swap transactions) to terminate the Swap Transactions unless the Swap Counterparty at its own cost takes any of the actions described in (i), (ii) or (iv) above in the time frame prescribed in the Interest Rate Swap Agreement and, in the case of Moody's only, provides collateral in accordance with (iii) above until such action is taken.

In the event that the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are downgraded below BBB- by S&P, then the Issuer has the right (provided that, if such termination would result in a payment becoming due to the Swap Counterparty, it has been able to find a replacement swap counterparty to enter into replacement swap transactions) to terminate the Swap Transactions unless the Swap Counterparty, within 10 days of such downgrade and at its own cost, transfers its obligations under the Interest Rate Swap Agreement as described at paragraph (ii) above.

Where the Swap Counterparty provides collateral in accordance with the terms of the Interest Rate Swap Agreement, such collateral will, upon receipt by the Issuer, be credited to a separate ledger (created to record such amounts) and transferred (if in cash form) to the Issuer Transaction Account or such other account established for such purpose (provided that any such account shall be maintained in England). Any collateral provided by the Swap Counterparty will not form part of the Available Revenue Funds or the Actual Redemption Funds or the Charged Assets except to the extent of any such collateral retained by the Issuer following the termination of the Swap Transactions other than such portion of collateral that is not required to satisfy any termination payment due to the Swap Counterparty or to enter into replacement transactions with a replacement swap counterparty.

The Issuer and the Swap Counterparty each represent to the other in the Interest Rate Swap Agreement that it is not required to make any deduction or withholding for or on account of tax from any payment (other than in relation to interest) to be made by it under the Interest Rate Swap Agreement.

If the Issuer becomes obliged to withhold tax from any payment due by it under the Interest Rate Swap Agreement, such tax shall be withheld and paid over to the relevant authorities and the Issuer will not be obliged to gross up its payment to the Swap Counterparty. In the event of an imposition of any tax on any payment due by a Swap Counterparty to the Issuer under the Interest Rate Swap Agreement, the Swap Counterparty will (so long as the Issuer complies with its obligation to deliver certain documents upon request of the Swap Counterparty) be obliged to gross up for the tax so withheld. However, if any such withholding or deduction is required resulting from a change in law or change in application of the

relevant law or a merger of a party or transfer of its assets, which cannot be avoided by both parties, the Swap Counterparty may terminate the Interest Rate Swap Agreement whereupon, in accordance with accepted market practice, the cost or gain (if any) to the Issuer of entering into a replacement transaction, which would have the effect of preserving the economic equivalent of all future payments which would otherwise have been due, will be calculated and a termination payment made. Any such payment by the Issuer (if applicable) will rank in priority to the payments of interest on the Notes.

The Swap Transactions may, in addition, be terminated by the Swap Counterparty in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments, where certain insolvency-related events affect the Issuer, in the event that proceedings are taken against the Issuer by the Trustee to enforce payment of the Notes or if the Notes are redeemed in full. The Swap Transactions may be terminated by the Issuer in circumstances including, broadly where the Swap Counterparty is in default by reason of failure to make payments, where the Swap Counterparty is otherwise in breach of the Interest Rate Swap Agreement or has made certain misrepresentations, where certain insolvency-related or corporate reorganisation events affect the Swap Counterparty, where certain tax representations given by the Swap Counterparty prove to be incorrect, where there is a merger without assumption in respect of the Swap Counterparty and where the Swap Counterparty or any credit support provider of the Swap Counterparty defaults under any credit support document. The Swap Transactions may also be terminated early by the Issuer or the Swap Counterparty in the event that there are changes in law resulting in illegality of the obligations to be performed by either party.

Upon termination of the Swap Transactions, either party may be required to make a termination payment to the other, depending on the circumstances then prevailing.

In the event that the Interest Rate Swap Agreement is terminated and a termination payment is made by the Swap Counterparty to the Issuer, such amount, together with any collateral posted by such Swap Counterparty, shall be applied towards payment due to a replacement swap counterparty whose short-term and long-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at or above the Required Swap Counterparty Ratings in consideration for such replacement swap counterparty entering into a replacement Interest Rate Swap Agreement having the same economic effect with the Issuer and to that extent shall not constitute Available Revenue Funds.

Pre-Enforcement Interest Priority of Payments

Prior to the service of an Enforcement Notice by the Trustee, the Cash Manager, on behalf of the Issuer, is required to apply Available Revenue Funds on each Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawn Amount (if any) will be applied in or towards the Revenue Shortfalls only (the “**Pre-Enforcement Interest Priority of Payments**”) (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date:

- (i) *first*, to pay the remuneration due and payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it in acting pursuant to the Trust Deed and/or the Issuer Security Deed together with interest thereon as provided in the Trust Deed and/or the Issuer Security Deed;
- (ii) *second*, to pay amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are due and payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Issuer Security Deed and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax;
- (iii) *third*, to pay *pari passu* and *pro rata*:
 - (A) the servicing fee due and payable to the Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date or if the appointment of the Servicer is terminated and a substitute is appointed, the servicing fee above will reflect the fee schedule agreed with such substitute servicer in accordance with the procedures set out in the relevant Servicing Agreement;
 - (B) the special servicing fee due and payable to the Special Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date; and

- (C) amounts due to the Paying Agents, the Agent Bank, the Transfer Agent and the Registrar under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement, the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement and the Account Bank, the Cash Manager and the Master Servicer (inclusive of value added tax, if any) under the Cash Management, Master Servicing and Account Bank Agreement;
- (iv) *fourth*, in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement;
- (v) *fifth*, to pay *pari passu* and *pro rata*:
- (A) amounts due and payable to the Swap Counterparty including (a) scheduled payments due under the Interest Rate Swap Agreement and (b) any termination payment due under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions (except for any relevant Swap Counterparty Default Payment where “**Swap Counterparty Default Payment**” means any termination payment due or payable under the Interest Rate Swap Agreement as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Swap Counterparty (as such terms are defined in the Interest Rate Swap Agreement)); and
- (B) amounts due and payable to the Cap Provider including (a) scheduled payments due under the Interest Rate Cap Agreement and (b) any termination payment due under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction (except for any Cap Provider Default Payment where “**Cap Provider Default Payment**” means any termination payment due or payable under the Interest Rate Cap Agreement as a result of the occurrence of an Event of Default where the Cap Provider is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Cap Provider (as such terms are defined in the Interest Rate Cap Agreement)); and
- (C) amounts due and payable to a replacement swap counterparty to the extent not satisfied from any collateral provided by the Swap Counterparty together with the termination payment (if any) made by the Swap Counterparty; and
- (D) amounts due and payable to a replacement cap provider to the extent not satisfied from any collateral provided by the Cap Provider together with the termination payment (if any) made by the Cap Provider;
- (vi) *sixth*, to pay *pari passu* and *pro rata*:
- (A) amounts (other than in respect of principal) 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
- (B) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vii) *seventh*, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the A Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub-Ledger has reached zero;
- (viii) *eighth*, to pay amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (ix) *ninth*, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the B Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (x) *tenth*, to pay amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);

- (xi) *eleventh*, to pay amounts to be credited to the C Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the C Notes in accordance with Condition 5) until the balance of the C Principal Deficiency Sub-Ledger has reached zero;
- (xii) *twelfth*, to pay amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, to pay amounts to be credited to the D Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the D Notes in accordance with Condition 5) until the balance of the D Principal Deficiency Sub-Ledger has reached zero;
- (xiv) *fourteenth*, to pay amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xv) *fifteenth*, to pay amounts to be credited to the E Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the E Notes in accordance with Condition 5) until the balance of the E Principal Deficiency Sub-Ledger has reached zero;
- (xvi) *sixteenth*, to credit the Reserve Ledger, until the balance of the Reserve Fund equals the Reserve Fund Required Amount;
- (xvii) *seventeenth*, to retain in the Issuer Transaction Account as the Issuer's profit, an amount equal to one quarter of 0.01 per cent. of the product of the weighted average Mortgage Rate of the Mortgage Loans at the end of the preceding Collection Period and the aggregate principal balance outstanding of the Mortgage Loans at the end of the preceding Collection Period;
- (xviii) *eighteenth*, in or towards *pari passu* and *pro rata* payment of:
 - (A) any Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty together with any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions; and
 - (B) any Cap Provider Default Payment payable to the Cap Provider under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider together with any amounts received by the Issuer from a replacement cap provider in respect of replacement cap transactions;
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* to the respective interest entitlements of the Subordinated Noteholders);
- (xx) *twentieth*, to pay *pari passu* to the holders of the Subordinated Notes in respect of principal due and payable on the Subordinated Notes; and
- (xxi) *twenty-first*, in and towards amounts payable in respect of the R Certificateholders.

Pre-Enforcement Principal Priority of Payments

Prior to the service of an Enforcement Notice by the Trustee, on each Payment Date the Issuer is required to apply the Actual Redemption Funds on such Payment Date determined on the Calculation Date prior to such Payment Date in the following manner and order of priority (the “**Pre-Enforcement Sequential Principal Priority of Payments**”):

- (i) *first*, to credit *pro rata* and *pari passu*:
 - (A) the Further Advances and Retentions Ledger, until the balance standing to the credit of the Further Advances and Retentions Ledger equals the Further Advances and Retentions Minimum Amount; and
 - (B) the Ported Mortgage Loans Ledger, until the balance standing to the credit of the Ported Mortgage Loans Ledger equals the Ported Mortgage Loans Minimum Amount;
- (ii) *second*, *pari passu* to the holders of the A1 Notes in respect of principal of the A1 Notes until no A1 Notes remain outstanding;
- (iii) *third*, *pari passu* to the holders of the A2 Notes in respect of principal of the A2 Notes until no A2 Notes remain outstanding;

- (iv) *fourth, pari passu* and *pro rata* to the holders of the A3a Notes in respect of principal of the A3a Notes and the holders of the A3b Notes in respect of principal of the A3b Notes until no A3a Notes or A3b Notes remain outstanding;
- (v) *fifth, pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vi) *sixth, pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;
- (vii) *seventh, pari passu* to the holders of the D Notes in respect of principal of the D Notes until no D Notes remain outstanding; and
- (viii) *eighth, pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding.

provided always that the Actual Redemption Funds shall not be applied in the order set out in the Pre-Enforcement Sequential Principal Priority of Payments above but shall instead be applied first to item (i) then *pro rata* between the A Notes, the B Notes, the C Notes, the D Notes and the E Notes (save that Actual Redemption Funds to be applied in or towards the A Notes shall be applied in the order set out in items (ii) to (iv) of the Pre-Enforcement Sequential Principal Priority of Payments) (the “**Pre-Enforcement Pro Rata** Principal Priority of Payments” and, together with the Pre-Enforcement Sequential Principal Priority of Payments, the “**Pre-Enforcement Principal Priority of Payments**” and, together with the Pre-Enforcement Interest Priority of Payments, the “**Pre-Enforcement Priorities of Payment**” and, together with the Post- Enforcement Priority of Payments, the “**Priorities of Payments**” and each a “**Priority of Payments**”) on any such Payment Date immediately following a Calculation Date on which all of the following conditions (the “**Pro Rata Redemption Conditions**”) are met:

- (i) after the previous Payment Date, the result produced by the fraction

$$\frac{(B + C + D + E)}{(A + B + C + D + E)}$$

is greater than or equal to twice the result produced by that fraction as at the Issue Date;

- (ii) all balances on each of the Principal Deficiency Sub-Ledgers are zero;
- (iii) the balance of the Reserve Fund is at the Reserve Fund Required Amount;
- (iv) the Liquidity Drawn Amount is zero; and
- (v) the aggregate balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 22.5 per cent. of the aggregate balance of all the Mortgage Loans in the Mortgage Pool.

For the purposes of this paragraph, as at any date:

- A = the aggregate Principal Amount Outstanding of the A Notes on such date;
- B = the aggregate Principal Amount Outstanding of the B Notes on such date;
- C = the aggregate Principal Amount Outstanding of the C Notes on such date;
- D = the aggregate Principal Amount Outstanding of the D Notes on such date; and
- E = the aggregate Principal Amount Outstanding of the E Notes on such date.

Under the terms of the CIFG Note Guarantee, CIFG does not guarantee any amounts payable by the Issuer upon mandatory redemption of the A3b Notes pursuant to Condition 5(b).

MERCs

The MERCs will be secured by the same security as the Notes and other Instruments and constitute an obligation on the part of the Issuer to pay to MERC Holders Mortgage Early Repayment Charges. On each Payment Date, the Mortgage Early Repayment Charges (other than the Ported Mortgage Early Repayment Charges) received during the preceding three Collection Periods as calculated on the Calculation Date immediately preceding such Payment Date will be applied in payment on a *pro rata* basis to amounts payable to the MERC Holders divided by the number of MERCs existing on the Calculation Date prior to the relevant Payment Date. The Rating Agencies have determined their respective ratings of the MERCs on the basis of the Issuer’s 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 Repayment Charges that will actually be received by the Issuer. If no Mortgage Early Repayment Charges are received by the Issuer, regardless of the reason, there is no payment obligation on the Issuer to MERC Holders.

Following the earliest to occur of redemption of all the Notes or an enforcement of the Security and subsequent disposal of the Charged Assets, no termination payment or other amount (other than amounts then payable in respect of MERC Holder Payments) will be payable in respect of the MERCs and, following the payment of any amounts then payable in respect of MERC Holder Payments (to be paid, if such payment is made after enforcement of the Security and subsequent disposal of the Charged Assets, in accordance with the Post-Enforcement Priority of Payments), the MERCs shall no longer constitute a claim against the Issuer.

The ratings of Fitch and Moody's of the MERCs address the likelihood of receipt by MERC Holders of the MERC Holder Payments. However, such rating assumes, without any independent investigation that (i) the payment of the corresponding Mortgage Early Repayment Charges is legally valid, binding and enforceable against the Borrowers and (ii) such Mortgage Early Repayment Charges are actually collected from Borrowers and received by the Issuer.

The rating of S&P on the MERCs addresses the likelihood of receipt by the MERC Holders of Mortgage Early Repayment Charges actually received by the Issuer if enforceable. See "*Terms and Conditions of the MERCs*".

The Subordinated Notes

The net proceeds of the issue of the Subordinated Notes will be used to fund the initial amount of the Reserve Fund. The Subordinated Notes will be secured by the same security as the Notes and other Instruments. Payments of interest and principal on the Subordinated Notes will be made on each Payment Date from Available Revenue Funds in accordance with the Pre-Enforcement Interest Priority of Payments and where interest on the Subordinated Notes is not paid due to a shortfall of funds available for this purpose, it will be deferred until such later Payment Date on which it can be paid in accordance with the Pre-Enforcement Interest Priority of Payments and any amount of interest so deferred will itself accrue interest, but any such deferral will cease on the Final Payment Date, when all accrued interest will become due and payable. The principal amount of the Subordinated Notes due on each Payment Date will be an amount limited to the Cumulative Revenue Fund Excess on such Payment Date. See "*Terms and Conditions of the Subordinated Notes*".

Following the earliest to occur of the redemption of all the Notes and an enforcement of the Security and subsequent disposal of the Charged Assets, the principal amount due and payable of the Subordinated Notes will be equal to the amounts (if any) standing to the credit of the Reserve Ledger to the extent that such amounts are available for such purpose.

R Certificates

The R Certificates will be secured by the same security as the Notes and other Instruments and constitute an entitlement on a *pro rata* basis to amounts payable to the R Certificateholders from Residual Payments divided by the number of R Certificates existing on the Calculation Date prior to the relevant Payment Date.

Following the earliest to occur of redemption of all the Notes or an enforcement of the Security and subsequent disposal of all of the Charged Assets, no termination payment or other amount will be payable in respect of the R Certificates other than amounts then payable in respect of Residual Payments and, following the payment of such amounts in accordance with the relevant Priority of Payments, the R Certificates shall no longer constitute a claim against the Issuer with such claim being thereby extinguished. See "*Terms and Conditions of the R Certificates*".

THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales under the Companies Act 1985 as a company with limited liability on 17 March 2006, with registered number 5746554 and registered address at Fifth Floor, 100 Wood Street, London EC2V 7EX, telephone number (+44 20 7606 5451). The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which 49,999 are held by Holdings and one of which is held by the Share Trustee as nominee of Holdings under the terms of a declaration of trust. The entire share capital of Holdings is held by the Share Trustee under the terms of a share trust deed on trust for charitable institutions.

Employees

The Issuer has no employees.

Subsidiaries

The Issuer has no subsidiaries.

Directors

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

<u>Name</u>	<u>Address</u>	<u>Other Principal Activities</u>
L.D.C. Securitisation Director No.3 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	corporate director
L.D.C. Securitisation Director No.4 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	corporate director

The business address of each director of L.D.C Securitisation Director No.3 Limited and of L.D.C. Securitisation No. 4 Limited is Fifth Floor, 100 Wood Street, London EC2V 7EX.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide directors and other corporate services such as a registered office to the Issuer. The Issuer will pay the Corporate Services Provider an annual fee. The registered office of the Corporate Services Provider is Fifth Floor, 100 Wood Street, London EC2V 7EX. The appointment of the Corporate Services Provider may be terminated upon 90 days' notice from either party provided that a substitute corporate services provider acceptable to the Issuer, Holdings and the Trustee has been appointed.

Activities

The Issuer is a special purpose company and has been established specifically to acquire the Mortgage Pool. Its activities will be restricted by the terms and conditions of the Notes, the Instruments and the Transaction Documents and will be limited to the issue of the Notes, the Instruments, the ownership of the Mortgage Loans and their Related Security 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 Mortgage Loans; (b) the operation of arrears procedures; (c) the enforcement of Mortgage Loans and their Related Security against Borrowers in default; (d) the funding of Further Advances and/or Ported Mortgage Loans made by the Seller on the Mortgage Loans and (e) the funding of Retentions released by the Seller on the Mortgage Loans. Substantially all of the above activities will be sub-contracted to the Servicer, the Special Servicer, the Cash Manager and the Master Servicer on an agency basis under the Servicing Agreements, the Special Servicer Agreements and the Cash Management, Master Servicing and Account Bank Agreement respectively.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of these Listing Particulars. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2006. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

USE OF PROCEEDS

The net proceeds of the issue of the Notes and the Subordinated Notes are expected to amount to approximately £560,314,961 (including the fees and expenses, estimated to be £566,790, payable in connection with the issue of the Notes and Instruments).

Amounts received as net proceeds under the Notes will be applied in (a) the purchase by the Issuer of the Completion Mortgage Pool from the Seller, (b) the funding of the Further Advances and Retentions Minimum Amount and (c) the funding of the Ported Mortgage Loans Minimum Amount, in each case, on the Issue Date. Amounts received as net proceeds under the Subordinated Notes will be used to fund the initial deposit into the Reserve Fund.

CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Issuer as at the date hereof, adjusted for the issue of the Notes and Instruments:

<i>Share Capital</i>	<i>£</i>
<i>Authorised</i>	
50,000 Ordinary Shares of £1 each	50,000
<i>Issued</i>	
50,000 Ordinary Shares of £1 each, 2 of which are fully paid and the remaining 49,998 paid up to 25%	12,501.50
	12,501.50
 <i>Borrowings</i> ¹	
The Notes and Subordinated Notes	£559,588,000

1 The value of the MERCs and R Certificates is contingent upon future events and they are not included under “**Borrowings**” above.

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

The current financial period of the Issuer will end on 31 December 2006.

THE SELLER AND THE SPECIAL SERVICER

Oakwood Homeloans Limited is a limited company incorporated under the Companies Act 1985 on 2nd April 2004, company number 5092310. The registered office of Oakwood Homeloans Limited is 8 Clifford Street, London, W1S 2LQ. Oakwood Homeloans Limited is a wholly owned subsidiary of Oakwood Global Finance LP. Oakwood Global Finance LP together with its subsidiaries is referred to as “**Oakwood**”.

Oakwood Homeloans Limited was established as the regulated mortgage subsidiary of Oakwood Global Finance LP for the purpose of acquiring and potentially securitising residential mortgage assets in the United Kingdom. Oakwood Homeloans Limited received full regulatory authorisation to conduct mortgage business from the FSA in January 2005 (FSA number 312920). Oakwood Homeloans Limited was an affiliate member of the CML from October 2004 and received confirmation of full member status in October 2005.

Oakwood Global Finance LP is a holding company that was established by Michael Culhane and The Redstone Companies, an asset management company based in Houston, Texas in 2002. Oakwood specialises in capitalising on investment opportunities in non-US lending markets.

It is intended that Credit Suisse, London Branch and Oakwood Homeloans International Limited (an indirect holding company of Oakwood Homeloans Limited) will shortly enter into a share purchase agreement whereby Credit Suisse, London Branch shall acquire a 51 per cent. controlling stake in Oakwood Homeloans Holdings Limited (the direct holding company of Oakwood Homeloans Limited). FSA approval has been received for the proposed transaction.

For the issue of the Notes described in these Listing Particulars, Oakwood Homeloans Limited will be the Seller, the Special Servicer and the holder of legal title for all mortgage loans. As Special Servicer, Oakwood Homeloans Limited will oversee the actions of the appointed Servicer. This will involve working to facilitate the prompt collection of all monies due under the mortgage loans and to supervise the efficient recovery of delinquent assets. In addition, Oakwood Homeloans Limited will retain responsibility for all credit decisions arising from the ongoing administration of the portfolio. However, the day to day responsibility for administration of the mortgages will remain with the Servicer who will operate within service specifications pre-defined by Oakwood Homeloans Limited and reviewed regularly.

Where necessary Oakwood Homeloans Limited will outsource various functions including asset management, the counselling of delinquent debtors and the legal processes relating to the enforcement of Mortgage Loans to third parties. These third parties will operate according to pre-arranged service specifications subject to regular review. The business and contractual relationships between Oakwood Homeloans Limited and such third parties will be managed on Oakwood Homeloans Limited's behalf by Oakwood Group LLP, a wholly-owned subsidiary of Oakwood Global Finance LP. In addition, Oakwood Homeloans Limited will also sub-delegate to Oakwood Group LLP Oakwood Homeloans Limited's duties and responsibilities as Special Servicer.

THE SERVICER

Homeloan Management Limited

Homeloan Management Limited has been appointed as the Servicer for both the GMAC-RFC Mortgage Pool and the KMC Mortgage Pool.

Homeloan Management Limited considers itself to be one of the largest third party residential mortgage administrators in the United Kingdom. The Issuer has been informed by Homeloan Management Limited that as at 1 April 2006 Homeloan Management Limited is currently servicing approximately £34 billion of mortgage assets for third parties. The registered office and principal place of business of Homeloan Management Limited is at 1 Providence Place, Skipton, North Yorkshire.

THE ORIGINATORS

GMAC-RFC Limited

GMAC-RFC Limited is a private limited company and was incorporated in England and Wales under the Companies Act 1985 (with company number 3480004). GMAC-RFC Limited was formed by GMAC Residential Funding Corporation, a directly wholly owned subsidiary of Residential Capital Corporation, an indirect wholly owned subsidiary of General Motors Corporation. In April 2006, General Motors Corporation announced that it had reached an agreement to sell a 51 per cent controlling stake in General Motors Acceptance Corp. to a consortium of investors led by Cerberus Capital Management L.P. which is expected to close by the end of the year.

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

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

Kensington Mortgage Company Limited

Kensington Group plc is a public limited company whose shares are admitted to the official list of the FSA in its capacity as competent authority for listing in the United Kingdom and was incorporated in England and Wales under the Companies Act 1985 and 1989 on 26 April 1995. Kensington Group plc holds the entire issued share capital of its subsidiaries which include Kensington Mortgage Company Limited and Finsbury Park Mortgage Funding Limited. Kensington Mortgages Limited is the operating company of Kensington Group plc.

Kensington Mortgage Company Limited and Finsbury Park Mortgage Funding Limited 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.

The principal place of business of Kensington Mortgage Company Limited and Finsbury Park Mortgage Funding Limited and the registered office of Kensington Mortgages Limited is at 1 Sheldon Square, London W2 6PU.

THE ACCOUNT BANK AND THE GIC PROVIDER

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 Barclays Group also operates in many other countries around the world. 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 S&P, P-1 by Moody’s and F1+ by Fitch and the long-term obligations of Barclays Bank PLC are rated AA by S&P, Aa1 by Moody’s and AA+ by Fitch.

By Regulation, the European Union agreed that virtually all listed companies must use International Financial Reporting Standards (“**IFRS**”) adopted for use in the European Union in the preparation of their 2005 consolidated accounts. Barclays PLC and Barclays Bank PLC have applied IFRS from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied only with effect from 1 January 2005. Therefore, in the 2005 Barclays PLC Annual Report and the 2005 Barclays Bank PLC Annual Report, the impacts of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2004 comparatives in accordance with First-time Adoption of International Financial Reporting Standards (IFRS1). The results for 2005 are therefore not entirely comparable to those for 2004 in affected areas.

Based on the Barclays Group’s audited financial information for the year ended 31 December 2005, the Barclays Group had total assets of £924,170 million (2004: £538,300 million), total net loans and advances¹ of £300,001 million (2004: £343,041 million), total deposits² of £313,811 million (2004: £328,516 million) and total shareholders’ equity of £24,243 million (2004: £16,849 million) (including minority interests of £1,578 million (2004: £211 million)). The profit before tax of the Group for the year ended 31 December 2005 was £5,311 million (2004: £4,589 million) after charging an impairment loss on loans and advances and other credit provisions of £1,571 million (2004: £1,093 million).

The following documents have been filed with the U.S. Securities and Exchange Commission for Barclays PLC and Barclays Bank PLC:

- (a) the audited joint Annual Report on Form 20-F in respect of the year ended 31 December 2004 (with the exception of the information incorporated by reference in the Annual Report referred to in the Exhibit Index of the Annual Report, which shall not be deemed to be incorporated in these Listing Particulars);
- (b) the amendment to the audited joint Annual Report on Form 20-F/A in respect of year ended 31 December 2004 as filed on 6 May 2005 (with the exception of information incorporated by reference in the Annual Report referred to in the Exhibit Index of the Annual Report, which shall not be deemed as incorporated into these Listing Particulars); and
- (c) the Interim Announcement of Results for 2005 on Form 6-K in respect of the semi-annual period ended 30 June 2005.

Barclays will provide, without charge to each person to whom these Listing Particulars are delivered, on the request of that person, a copy of the Form 20-F and Form 6-K referred to in the previous sentence. Written requests should be directed to: Barclays Bank PLC, 1 Churchill Place, London E14 5HP, England, Attention: Barclays Corporate Secretariat.

¹ Total net loans and advances include balances to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

THE CAP PROVIDER AND THE LIQUIDITY FACILITY PROVIDER

Danske Bank A/S is a public limited company organised under the laws of the Kingdom of Denmark under number 61126228. It has its registered and head office at Holmens Kanal 2-12, DK-1092 Kobenhavn K, Denmark. It is regulated in Denmark by Finanstilsynet, the Danish Financial Supervisory Authority, and by the Financial Services Authority for the conduct of investment business in the UK.

The Danske Bank Group (“**Danske Group**”), which comprises Danske Bank A/S, the parent company, and a number of subsidiaries, offers its customers a wide range of banking, insurance, mortgage finance, asset management, capital markets, investment banking and leasing services. Danske Group is the largest bank in Denmark in terms of equity, deposits and assets. Danske Group also ranks among the largest financial institutions in the Nordic countries.

As of December 31, 2005, the Danske Group had total assets of DKr 2,432 billion (USD 399 billion), total loans and advances of DKr 1,399 billion (USD 229 billion), total deposits of DKr 1,108 billion (USD 182 billion) and equity shareholder funds of DKr 75 billion (USD 12.3 billion).

The profit before taxation of the Danske Group in respect of the 12 months ended December 31, 2005 was DKr 17,789 million (USD 2,960 million).

Danske Bank A/S current credit ratings are as follows: Moody’s: P-1 (short-term) and Aa1 (long-term), S&P: A-1+ (short-term) and AA- (long-term), Fitch: F1+ (short-term) and AA- (long-term).

Delivery of these Listing Particulars shall not create any implication that there has been no change in the affairs of the Danske 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 SWAP COUNTERPARTY

Credit Suisse International was incorporated in England and Wales under the Companies Act 1985, on 9th May, 1990, with registered no. 2500199 and was re-registered as an unlimited liability company under the name “Credit Suisse Financial Products” on 6 July 1990 and was renamed Credit Suisse First Boston International on 27 March 2000. Its registered office and principal place of business is at One Cabot Square, London E14 4QJ, telephone number +44 (0)207 888 8888. The Swap Counterparty is an English bank and is regulated as an EU credit institution by The Financial Services Authority (“FSA”) under the FSMA. The FSA has issued a scope of permission notice authorising the Swap Counterparty to carry out specified regulated investment activities. With effect from 16 January 2006, the Swap Counterparty was renamed “Credit Suisse International”.

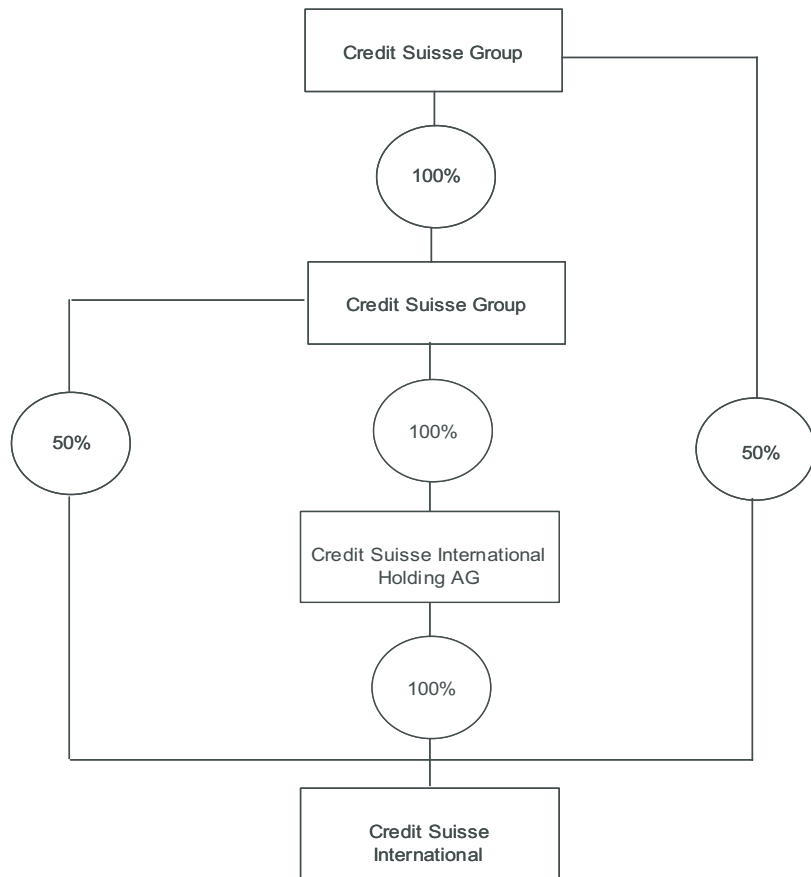
Credit Suisse International is an unlimited liability company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of Credit Suisse International in the event of its liquidation. The joint, several and unlimited liability of the shareholders of Credit Suisse International to meet any insufficiency in the assets of Credit Suisse International will only apply upon liquidation of Credit Suisse International. Therefore, prior to any liquidation of Credit Suisse International, the securityholders may only have recourse to the assets of Credit Suisse International and not to those of its shareholders.

Credit Suisse International commenced business on 16 July 1990. Its principal business is banking, including the trading of derivative products linked to interest rates, equities, foreign exchange, commodities and credit. The primary objective of Credit Suisse International is to provide comprehensive treasury and risk management derivative product services. Credit Suisse International has established a significant presence in global derivative markets through offering a full range of derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets. Effective 1 January 2006, the Swap Counterparty is managed as a part of the Investment Banking division of Credit Suisse in the Europe, Middle East and Africa region, and prior to that time was managed as a part of the Credit Suisse First Boston division of Credit Suisse. The newly integrated Credit Suisse is one bank and is structured along three lines of business. Investment Banking includes the products and services provided to corporate and investment banking clients. Private Banking includes international and Swiss wealth management as well as services for private clients and corporate clients including pension funds in Switzerland. Asset Management includes asset management products and services.

Shareholders

Credit Suisse owns 56 per cent., Credit Suisse (International) Holding AG (formerly known as Credit Suisse First Boston (International) Holding AG, a wholly owned subsidiary of Credit Suisse, owns 24 per cent. and Credit Suisse Group owns 20 per cent. of the Credit Suisse International’s ordinary voting shares. Credit Suisse and Credit Suisse (International) Holding AG have entered into a voting agreement relating to the election of directors. With respect to the Swap Counterparty’s participating non-voting shares (other than an issue of Class A participating non-voting shares) Credit Suisse owns 4.9 per cent., Credit Suisse Investments (UK), (formerly known as Credit Suisse First Boston (UK) Investments) a wholly owned subsidiary of Credit Suisse, owns 75.1 per cent. and Credit Suisse Group owns 20 per cent. In addition, Credit Suisse and Credit Suisse Investments (UK) each own half of the Swap Counterparty’s Class A participation non-voting shares and Credit Suisse Investments (UK) owns 80 per cent. and Credit Suisse Group owns 20 per cent. of the Swap Counterparty’s perpetual non-cumulative Class A preference shares. Credit Suisse (International) Holding AG owns 100 per cent. of the Swap Counterparty’s non-cumulative Class B preference shares. Credit Suisse (International) Holding Ag owns 42.2857 per cent. and Credit Suisse Investments (UK) owns 57.7143 per cent. of the Swap Counterparty’s non-cumulative Class C preference shares. Credit Suisse (International) Holding AG owns 100 per cent. of the Swap Counterparty’s non-cumulative Class D preference Shares. On 15 March 2006, the total authorised share capital of the Swap Counterparty increased from USD 3,300,000,000 to USD 4,000,000,000 by the creation of a new class of shares being 700,000,000 Class E preference shares of USD 1 each, of which USD 535,000,000 was issued to Credit Suisse (International) Holding AG. Credit Suisse (International) Holding AG owns 100 per cent. of the Swap Counterparty’s non-cumulative Class E preference shares.

A summary organisational chart, showing the ownership of the voting interests in the Swap Counterparty, is set out below.



Credit Ratings

The Swap Counterparty has been assigned a senior unsecured debt rating of A+ (positive outlook) by S&P, a senior debt rating of Aa3 (stable outlook), by Moody's and a long-term rating of AA- (stable outlook) by Fitch.

CIFG EUROPE

General

CIFG Europe is a monoline financial guaranty insurance company incorporated under the laws of France on 24 September 2001. The address of the principal executive offices of CIFG Europe is 31-33, rue de Mogador, 75009 Paris, France; its registration number with the Paris Commercial Trade Register is B 439 301 912; its general telephone number is +33 1 58 55 65 00; and its website is www.cifg.com (which website does not form part of these Listing Particulars).

CIFG Europe is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Assurance North America, Inc. (“**CIFG NA**”), a US insurance company licensed to do business in 46 jurisdictions of the United States of America, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, CIFG Europe is supported by a net worth maintenance agreement with CIFG Guaranty (the “**Letter of Support**”), which provides that CIFG Guaranty must maintain CIFG Europe’s statutory capital and surplus at not less than W20 million in aggregate and by an excess of loss reinsurance contract (the “**Excess of Loss Reinsurance Agreement**”) under which CIFG Europe will cede to CIFG Guaranty any loss exceeding W20 million. Neither the Letter of Support nor the Excess of Loss Reinsurance Agreement constitute a guarantee by CIFG Guaranty of direct payment of any amount due from CIFG Europe. CIFG Guaranty abides by its constitutive documents, corporate governance rules and applicable law to ensure that its control over CIFG Europe is not abused.

Business

CIFG Europe is engaged principally in the business of issuing financial guarantees. Financial guarantees provide a guarantee of timely payments of scheduled or ultimate principal and scheduled interest by the issuer of debt securities or the borrower of debt, thereby enhancing the credit rating of those debt securities or that debt, in return for the payment of a fee to the financial guarantor.

Ratings

Each of CIFG Europe, CIFG NA and CIFG Guaranty has received an insurer financial strength rating of “AAA” from Fitch, an insurer financial strength rating of “Aaa” from Moody’s, and an insurer financial enhancement rating of “AAA” from S&P, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of each company’s capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Notes. Such ratings may be subject to revision or withdrawal at any time.

Regulation

CIFG Europe is licensed and subject to regulation by the Autorité de Contrôle des Assurances et des Mutuelles (the “**ACAM**”) under the laws of France, its state of domicile, and is licensed to do business in the fifteen member states of the European Union prior to its most recent enlargement on 1st May 2004. Under the French Code des Assurances and the CCAMIP’s regulations, CIFG Europe is subject to certain supervisory requirements including the maintenance of a minimum solvency margin and establishment and maintenance of loss and unearned premium reserves.

Financial Guarantee

CIFG Europe’s financial guarantee does not protect investors against changes in market value of the Notes, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. CIFG Europe makes no representation regarding the Notes or the advisability of investing in the Notes. CIFG Europe makes no representation regarding these Listing Particulars, nor has it participated in the preparation hereof, except that CIFG Europe has provided to the Issuer the information presented under this caption for inclusion in these Listing Particulars.

Financial Information

The audited accounts of CIFG Europe for the years ended 31 December 2004 and 31 December 2005 are annexed as the Appendix to these Listing Particulars.

Capitalisation and Indebtedness

The following table sets forth the capitalisation and indebtedness of CIFG Europe on the basis of accounting principles generally accepted in the Republic of France (“**French GAAP**”):

	<u>As of 31 December 2005</u> <u>(K€)</u>	<u>As of 31 December 2004</u> <u>(K€)</u>
Assets		
Investments	32,447	29,594
Receivables	3,852	3,119
Other assets	21,589	13,519
Total assets	57,888	46,232
Indebtedness		
Deferred premium revenue	12,353	7,227
Other liabilities	10,408	6,732
Total Liabilities	22,761	13,959
Shareholders' Equity ³		
Share capital	32,000	32,000
Retained deficit and net income	3,127	273
Net Equity	35,127	32,273
Total Capitalisation and Indebtedness	57,888	46,232

The following table sets forth the capitalization of CIFG on the basis of (“**French GAAP**”):

	<u>As of 31 December 2005 (unaudited)</u>	
	<u>(K€)</u>	<u>(KUS\$)⁴</u>
Assets	745,838	883,036
Liabilities	158,671	187,860
Shareholder's Equity	587,167	695,176

For further information concerning CIFG Europe and CIFG Guaranty, see the audited financial statements of CIFG Europe and CIFG Guaranty, including the notes thereto, prepared in accordance with French GAAP as of December 31, 2005 and 2004 and for each of the two years in the period ended December 31, 2005, each of which is available on the CIFG Group's website at www.cifg.com (which website does not form part of these Listing Particulars). CIFG Europe's auditors are PricewaterhouseCoopers Audit, 63 rue de Villiers, 92208 Neuilly-sur-Seine Cédex, France and Mazars & Guérard, Le Vinci, 4 Allée de L'Arche, 92075 La Défence Cédex, France. Both PricewaterhouseCoopers Audit and Mazars & Guérard are regulated by the Compagnie des Commissaires aux Comptes.

Directors and Officers

The members of the Supervisory Board of CIFG Europe and their principal activities as at the date of these Listing Particulars are set out below:

Jean-Paul Oudet, President. Mr Oudet is the Head of Investment Banking Development and Synergies of the Caisse Nationale des Caisses d'Epargne et de Prévoyance (“**CNCE**”) (Caisse Nationale des Caisses d'Epargne et de Prévoyance 50, Avenue Mendès France, 75201 Paris, cedex 13, France).

Michel Berthezène, Vice President. Mr Berthezène is a member of the Executive Board of IXIS Corporate and Investment Bank (“**IXIS CIB**”) (IXIS Corporate & Investment Bank, 26-28, rue Neuve Tolbiac, 75658 Paris cedex 13, France and IXIS Corporate & Investment Bank, 47, Quai d'Austerlitz, 75648 Paris, cedex 13, France).

³ CIFG Europe was incorporated with an authorised share capital of €32,000,000 comprising 3,200,000 ordinary shares of €10 each. As at 31 December 2003, all the shares were allotted and are fully paid up.

⁴ The translation of euros to U.S. dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2005 of \$1.18395 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. dollars at this or any rate of exchange.

CIFG Guaranty, the permanent representative of which is Anthony Orsatelli. Mr Orsatelli is President of the Executive Board of IXIS CIB (IXIS Corporate & Investment Bank, 47, Quai d'Austerlitz, 75648 Paris, cedex 13, France) and a member of the Executive Board of CNCE (Caisse Nationale des Caisses d'Epargne et de Prévoyance 50, Avenue Mendès France, 75201 Paris, cedex 13, France).

Michel Crouhy, who is Head of Research and Development at IXIS CIB (IXIS Corporate & Investment Bank, 47, Quai d'Austerlitz, 75648 Paris cedex 13, France).

The members of the Executive Board of CIFG Europe as at the date of these Listing Particulars are Michel Rouzioux, President, (CIFG Europe, 31-33, rue de Mogador, 75009 Paris, France) and Jacques Rolfo (CIFG Europe, 31-33, rue de Mogador, 75009 Paris, France and CIFG Services, Inc., 825 Third Avenue, 6th Floor, New York, 10022 New York, USA).

FORM OF CIFG NOTE GUARANTEE

GUARANTEEHOLDER: HSBC Trustee (C.I.) Limited
OBLIGOR: ALBA 2006-1 plc Guarantee No.: CIFGEU ●
ISIN: ● Effective Date: ●
OBLIGATIONS: The 80,000,000 A3b Notes due 2037 issued on 16 June 2006

CIFG EUROPE (“**CIFG**”) hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to the Guaranteeholder for the benefit of the Noteholders of the Obligations, subject only to the terms and conditions of this Guarantee (which includes each schedule hereto), the full and complete payment by or on behalf of the Obligor of Regular Payments of A3b Interest and A3b Ultimate Principal on the Obligations.

For the further protection of the Guaranteeholder and for the benefit of the Noteholders of the Obligations, CIFG irrevocably and unconditionally guarantees:

- (i) payment of any amount required to be paid under this Guarantee by CIFG following CIFG’s receipt of notice and instruments of assignment as described in Schedule No. 1 hereto; and
- (ii) payment of the amount of any distribution of A3b Interest and A3b Ultimate Principal on the Obligations made during the Term of this Guarantee to such Guaranteeholder that is subsequently avoided in whole or in part as a Preference Payment under applicable law, all as described in Schedule No. 1 hereto.

CIFG shall be subrogated to the Holders’ rights to receive or enforce payments under the Obligations to the extent of any payment by CIFG hereunder. Upon disbursement in respect of the Obligations, CIFG shall become the assignee of the Affected Obligations, appurtenant coupon, if any, and all rights to payment of principal thereof or interest (including default interest) thereon (including, without limitation, any rights and benefits attached to, and any security granted at law by contract or under the Issuer Security Deed or otherwise in respect of the Affected Obligations).

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any schedule hereto, for all purposes of this Guarantee. Effective Date means the “**Effective Date**” referenced above. “**Guaranteeholder**” means the Guaranteeholder referenced above, its successors and permitted assigns; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Guaranteeholder to the extent of such trustee’s authority. “**Obligor**” and “**Obligations**” mean, respectively, the Obligor and the Obligations referenced above. “**Regular Payments**” means payments of A3b Interest and A3b Ultimate Principal which are agreed to be made during the Term of this Guarantee in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Obligor or any other person, (b) an election by the Obligor to pay principal on an accelerated basis or (c) any other cause, shall not constitute Regular Payments unless CIFG shall elect, in its sole discretion, to pay the Principal Amount Outstanding at such time due upon such acceleration together with any accrued interest to the date of acceleration. “**Term of this Guarantee**” shall have the meaning set forth in Schedule No. 1 hereto.

This Guarantee sets forth in full the undertaking of CIFG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations, except a contemporaneous or subsequent agreement or instrument given by CIFG or to which CIFG has given its written consent, or by the merger, consolidation or dissolution of the Obligor. The fees paid in respect of this Guarantee are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligation prior to maturity. This Guarantee may not be cancelled or revoked during the Term of this Guarantee, including for nonpayment of fees due to CIFG. This Guarantee does not guarantee any accelerated payment (whether by way of pre-payment of the Obligations or otherwise), other than at the sole option of CIFG as specified herein, nor provide protection by way of guarantee or otherwise against any risk (including, without limitation, the risk of failure of the Guaranteeholder or any paying agent to make any payment due to the Noteholders of any Regular Payments) other than Non-payment and insolvency claw back risk in relation to any Preference Payment.

This Guarantee is made for the sole benefit of the Guaranteeholder and neither the Obligor, any Noteholder nor any other person shall be entitled to enforce or otherwise claim the benefit of performance of the obligations hereunder.

In witness whereof, CIFG EUROPE has caused this Guarantee to be executed and delivered as a deed on the date first before written.

EXECUTED as a deed by **CIFG EUROPE**)
a company incorporated in France)
by _____, being)
a person who, in accordance with the laws)
of that territory, is acting under the authority)
of that company)

SCHEDULE 1
TO DEED OF FINANCIAL GUARANTEE NO. CIFGEU
CIFG EUROPE

1. **Definitions:** For all purposes of this Guarantee, the terms specified below shall have the meanings or constructions provided below. Capitalized terms used without definition herein shall have the meanings provided in the Trust Deed, or if not defined therein the Incorporated Terms Memorandum, unless the context shall otherwise require.

“**A3b Interest**” means interest payable in respect of the Obligations as specified in Condition 4 (*Interest*) but excluding any default interest and less any amount that the Obligor would be obliged to deduct which is payable pursuant to Condition 8 (*Taxation*). “**A3b Ultimate Principal**” means the Principal Amount Outstanding of the Obligations payable in accordance with the first sentence of Condition 5(a) on the Final Payment Date and, for the avoidance of doubt, excludes principal or other sums payable in respect of (i) any redemption pursuant to Condition 5(b); (ii) any optional redemption pursuant to Condition 5(d); and (iii) any redemption for tax or other reasons pursuant to Condition 5(e); and (iv) where the Class A3b Notes have become due and repayable pursuant to Condition 9.

“**Accelerated Payment**” means any payment of any Regular Payment in advance of the relevant Regular Payment Date (whether by way of prepayment of any Regular Payment or otherwise) made by CIFG to the Account or to the Guaranteholder at CIFG’s sole discretion and in accordance with this Guarantee, but subject to the Regular Payment having become due and payable by the Issuer pursuant to the Conditions;

“**Affected Obligations**” means those Obligations (identified in the relevant duly completed Notice of Demand and Certificate) in respect of which a Non-payment has occurred or will occur, as specified in the relevant Notice of Demand and Certificate.

“**Business Day**” means any day (other than a Saturday or Sunday) on which banks are open for business in London and Paris.

“**CIFG**” means CIFG Europe and its successors and permitted assigns.

“**Guarantee**” means this Deed of Financial Guarantee and includes each schedule thereto.

“**Holder**” means (i) if and to the extent the Obligations are represented by definitive Notes held outside of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream**”) and, together with Euroclear and any additional or alternative clearing systems nominated by the Issuer and/or the Trustee and approved by CIFG, the “**Clearing Systems**” and each, a “**Clearing System**”), the bearers thereof and (ii) if and to the extent the Obligations are represented by a temporary or permanent global note or definitive notes held in a Clearing System, the persons for the time being shown in the records of the relevant Clearing System (except for a Clearing System in its capacity as an accountholder of another clearing system) as being holders of the Obligations (each an “**Accountholder**”) in which regard any certificate or other document issued by the relevant Clearing System as to the principal amount of the Obligations standing to the account of any Accountholder shall be conclusive and binding for all purposes hereof.

“**Non-payment**” means, as of any Regular Payment Date, the failure of the Obligor to pay or to have paid all or any part of the Regular Payments on such Regular Payment Date (or which would have been due on such Regular Payment Date but for such Regular Payments having become due (but have not having been paid) prior to such Regular Payment Date by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise).

“**Notice of Demand and Certificate**” means a notice of demand and certificate in the form attached hereto, duly executed by the Guaranteholder.

“**Receipt**” and “**Received**” mean actual delivery to each of CIFG and the Fiscal Agent (as defined below), if any, prior to 12:00 noon, Paris time, on a Business Day; delivery either on a day that is not a Business Day, or after 12:00 noon, Paris time, shall be deemed to be Receipt on the next succeeding Business Day. If any notice or certificate given hereunder by the Guaranteholder is not in proper form or is not properly completed, executed or delivered in all material respects, it shall be deemed not to have been Received, and CIFG or its Fiscal Agent shall promptly so advise the Guaranteholder and the Guaranteholder may submit an amended notice.

“Regular Payment Date” means (i) when referring to interest on the Obligations, the stated date for payment of A3b Interest and (ii) when referring to A3b Ultimate Principal, the Final Payment Date and does not refer to any earlier date on which payment is due by reason of call for redemption, acceleration or other advancement of maturity unless CIFG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration.

“Regular Payments” means any and all regularly scheduled payments of A3b Interest payable at the Rate of Interest and A3b Ultimate Principal on the Obligations required to be made in accordance with their original terms and without regard to any subsequent amendment or modification thereof except amendments or modifications to which CIFG has given its prior written consent. Regular Payments shall not include, nor shall this Guarantee apply in respect of: (1) payments which become due in advance of the date on which they were originally scheduled to become due as a result of (a) a default by the Obligor or any other person, (b) an election by the Obligor to make payment on an accelerated basis; (c) early or rapid amortisation of the Obligation, or (d) any other cause including, without limitation by way of prepayment, acceleration of maturity, mandatory or optional redemption whether pursuant to Conditions 5(b), 5(d), 5(e), 9, or otherwise unless CIFG shall elect, in its sole discretion, to pay the Principal Amount Outstanding at such date due upon such acceleration together with any accrued interest to the date of acceleration; (2) any amounts due in respect of the Obligations attributable to any increase in interest rate, penalty or other sum payable by the Obligor by reason of any default or event of default in respect of the Obligations, whether by the Obligor or any other person, or by reason of any deterioration of the creditworthiness of the Obligor or any other person, or by reason of any change in law or its interpretation, compliance with the directions of a central bank or other fiscal, monetary or other authority, or by reason of any deterioration of the rate of return on capital, or increase in costs, of the Guaranteholder or any other person; or (3) any taxes, withholding or other charge imposed by any governmental or any other competent authority on or in connection with (a) any payment due under the Obligations to the Noteholders or (b) any payment made or due under this Guarantee other than pursuant to paragraph 5 below.

“Term of this Guarantee” means the period from and including the Date of Issuance to and including the date on which (i) all Regular Payments have been paid or all of the Obligations have been terminated in accordance with their terms; (ii) any period during which any Regular Payment could have been avoided in whole or in part as a preference payment under applicable bankruptcy, insolvency, receivership or similar law shall have expired; and (iii) if any proceedings seeking avoidance of any Regular Payment as a Preference Payment have been commenced prior to the occurrence of (i) and (ii), a final and non-appealable order in resolution of each such proceeding has been entered.

2. **Notices and Conditions to Payment in Respect of Regular Payments:** Following receipt by CIFG of a notice of demand and certificate from the Guaranteholder in respect of each Regular Payment Date for which it seeks to draw on this Guarantee in the form attached as Exhibit A to this Schedule (a **“Notice of Demand and Certificate”**), CIFG will pay any amount payable hereunder in respect of a Regular Payment on the Obligations on the later to occur of (a) 10:00 a.m., Paris time, on the second Business Day following such Receipt and (b) 10:00 a.m., Paris time, on the Regular Payment Date on which such payment is due on the Obligations. Payments due hereunder in respect of Regular Payments will be disbursed to the Guaranteholder by wire transfer of immediately available funds to such account as the Guaranteholder shall specify in writing in the Notice of Demand and Certificate in respect of such Regular Payment (the **“Account”**).

CIFG shall be entitled to pay any amount hereunder in respect of Regular Payments on the Obligations, including any amount payable upon its election on the Obligations on an accelerated basis, whether or not any notice and certificate shall have been Received by CIFG as provided above; provided, however, that by acceptance of this Guarantee the Guaranteholder agrees to provide upon request to CIFG a Notice of Demand and Certificate in respect of any such payments or deliveries made by CIFG. CIFG’s obligation hereunder in respect of Regular Payments shall be discharged to the extent funds are disbursed by CIFG to the Account as provided herein whether or not such funds are properly applied by any bank, custodian or agent appointed by the Guaranteholder.

3. **Notices and Conditions to Payment in Respect of Regular Payments Avoided as Preference Payments:** If any Regular Payment paid by the Obligor in respect of the Obligations during the Term of this Policy is avoided as a preferential transfer or similar payment (a **“Preference Payment”**) under applicable bankruptcy, insolvency, receivership or similar law (**“Insolvency Law”**), CIFG will pay

such amount out of the funds of CIFG on the later of (a) the date when due to be paid pursuant to the Order referred to below or (b) the first to occur of (i) the second Business Day following Receipt by CIFG from the Guaranteholder of (A) a certified copy of the order (the “**Order**”) of the court or other governmental body of competent jurisdiction to the effect that the Guaranteholder is required to return all or part of such Regular Payment because such payment was avoidable as a Preference Payment under applicable Insolvency Law, (B) a certificate of the Guaranteholder that the Order has been entered and is not subject to any stay and (C) an assignment duly executed and delivered by the Guaranteholder in such form as is reasonably required by CIFG, and provided to the Guaranteholder by CIFG, irrevocably assigning to CIFG all rights and claims of the Guaranteholder relating to or arising under the Obligations against the Obligor or its estate or otherwise with respect to such Preference Payment or (ii) the date of Receipt by CIFG from the Guaranteholder of the items referred to in clauses (A), (B) and (C) above if, at least four Business Days prior to such date of Receipt, CIFG shall have Received written notice from the Guaranteholder that such items were to be delivered on such date and such date was specified in such notice. Such payment shall be disbursed to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Order, and not the Guaranteholder directly (unless the Guaranteholder has previously paid such amount to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Order, in which case such payment shall be disbursed to the Guaranteholder upon proof of such payment reasonably satisfactory to CIFG).

4. **Accelerated Payments:** There shall be no accelerated payment of any Regulated Payment due under this Guarantee unless CIFG elects to make an Accelerated Payment of all or any part of the Obligations at its sole discretion. If CIFG elects to make an Accelerated Payment, it shall, not later than two (2) Business Days prior to the date on which it shall effect such payment, deliver to the Issuer and the Guaranteholder by fax or letter delivered by registered post or courier, a written notice duly executed by an authorised officer of CIFG, notifying the Issuer and the Guaranteholder of the exercise of (1) its option hereunder and (2) the proposed date for such Accelerated Payment. CIFG shall, unless otherwise directed by the Guaranteholder, make such Accelerated Payment to the Account, or the Guaranteholder in CIFG’s sole discretion. Such notice shall be deemed to have been delivered when (a) in the case of a letter, delivered to the relevant addressee; or (b) in the case of a fax, when transmission of such fax communication has been received in a legible form and receipt has been confirmed.
5. **French Withholding Tax:** All payments by CIFG under this Guarantee shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by France or any political subdivision or taxing authority therein or thereof unless such withholding or deduction is required by law. If any such withholding or deduction is so required by law, CIFG shall pay such amounts (“**Additional Amounts**”) for the account of the Guaranteholder in respect of which a withholding or deduction has been made as may be necessary in order that the net amounts receivable by the Guaranteholder after such withholding or deduction shall equal the Regular Payments which would have been receivable by the Guaranteholder in the absence of such withholding or deduction, provided, however, that no such Additional Amounts shall be payable in respect of any Obligations which CIFG has reasonably determined will result from any payment of Regular Payments:
 - (a) to or in respect of the Guaranteholder (or in respect of any Holder) who is liable or subject to such withholding or deduction by reason of its having some connection with France or any jurisdiction other than its jurisdiction of incorporation other than the mere holding of the Obligations;
 - (b) to or in respect of the Guaranteholder (or in respect of any Holder) who would not be subject to such withholding or deduction if it had made a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
 - (c) to or in respect of any claim under this Guarantee Received more than 30 days after the relevant Regular Payment Date except to the extent that the Guaranteholder would have been entitled to such Additional Amounts if it had presented the Obligations for payment on the last day of such period of 30 days; or
 - (d) where such withholding or deduction is imposed on a payment to the Guaranteholder or any Holder and is required to be made pursuant to (1) any European Union Directive on the

taxation of savings implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 and/or (2) any consequential legislation approved by the EU Council of Economic and Finance Ministers on 21 January 2003, in connection with such Directive and/or (3) any law implementing or complying with, or introduced in order to conform to, such Directive.

6. **Governing Law and Jurisdiction:** This Guarantee is governed by and shall be construed in accordance with English law. CIFG and, by acceptance of this Guarantee, the Guaranteholder irrevocably agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any dispute, which may arise out of or in connection with this Guarantee.
7. CIFG hereby authorises and appoints its London branch situated at CIFG Europe, Cannon Bridge, 25 Dowgate Hill, London EC4R 2GN to accept service of all legal process arising out of or in connection with this Guarantee.
8. **Fiscal Agent:** At any time during the Term of this Guarantee, CIFG may appoint a fiscal agent (the “**Fiscal Agent**”) for purposes of this Guarantee by written notice to the Guaranteholder at the notice address specified in the documents governing the Obligations specifying the name and notice address of the Fiscal Agent. From and after the date of receipt of such notice by the Guaranteholder, (i) copies of all notices and documents required to be delivered to CIFG pursuant to this Guarantee shall be simultaneously delivered to the Fiscal Agent and CIFG and shall not be deemed Received until Received by each, and (ii) all payments required to be made by CIFG under this Guarantee may be made directly by CIFG or by the Fiscal Agent on behalf of CIFG. The Fiscal Agent is the agent of CIFG only and the Fiscal Agent shall in no event be liable to any Guaranteholder for any acts of the Fiscal Agent or any failure of CIFG to deposit, or cause to be deposited, sufficient funds to make payments due under the Guarantee.
9. **Notices:** All notices to be given hereunder shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail or personally delivered or telecopied to CIFG as follows:

CIFG Europe
31-33, rue de Mogador
75009 Paris, France
Attention: General Counsel
Telecopy No.: +33 (1) 58.55.65.00

CIFG may specify a different address or addresses by writing mailed or delivered to the Guaranteholder.

10. **Priorities:** In the event that any term or provision of the face of this Guarantee is inconsistent with the provisions of this Schedule, the provisions of this Schedule shall take precedence and shall be binding.
11. **Waiver of Defences:** CIFG’s obligations under this Guarantee are irrevocable, absolute and unconditional, except that CIFG shall have no obligation to pay any demand under this Guarantee unless it has received a corresponding Notice of Demand and Certificate from the Guaranteholder pursuant to Clause 2 and/or the documentation referred to in Clause 3 of this Schedule. To the fullest extent permitted by applicable law, for the benefit of the Guaranteholder, CIFG hereby waives, and agrees not to assert, any and all defences to payment and grounds for refusing to make any payment (including, without limit, set-off and counterclaim) under this Guarantee, including any right to terminate, cancel, discharge, avoid or rescind this Guarantee, whether existing now or hereafter, whether foreseen or unforeseen, and whether acquired directly or by subrogation or by any other manner. The foregoing waivers shall preclude CIFG from refusing payment of any demand under this Guarantee, but shall not in any way limit CIFG’s right to pursue recovery or claims for reimbursement from the Guaranteholder, the Obligor or any other Person for any liabilities, losses, damages, costs and expenses incurred by CIFG based on any contractual or legal rights (including any such rights resulting from the Guaranteholder’s, the Obligor’s or such other Person’s fraud, negligence or violation of any agreement to which it is a party) after CIFG has made payment in full of any demands made under this Guarantee. None of the foregoing waivers or anything else

contained in this Guarantee shall prejudice, limit or otherwise affect any such claim that CIFG may have, whether directly or as a subrogee or otherwise. CIFG reserves any and all rights to demand payment from the Obligor of any amounts which are expressly due to CIFG pursuant to any agreement between itself and the Obligor relating to the Obligations or this Guarantee.

12. **Transfer of CIFG Obligations:** The obligations of CIFG hereunder may be transferred *mutatis mutandis* to any affiliate of CIFG that is a monoline insurance corporation, provided that at the time of such transfer the insurance strength or insurance financial strength of such affiliate is rated at least equal to the insurance strength or insurance financial strength of CIFG, and that the rating of the Obligations shall not have been reduced as a result of such transfer, by Moody's and S&P or their respective successors as nationally recognised statistical rating organisations under the United States Securities Exchange Act of 1934, as amended.
13. **Surrender of Guarantee:** The Guaranteholder shall surrender this Guarantee to CIFG for cancellation upon expiration of the Term of this Guarantee.
14. **Redenomination:** The obligations of CIFG under this Guarantee will not be affected by any redenomination of the regular payments into Euro pursuant to Condition 16 of the Notes, save that, following such redenomination, payments of Regular Payments hereunder shall be made in Euro.

Exhibit A
To Schedule 1
Notice of Demand and Certificate

CIFG Europe
31-33, rue de Mogador
75009 Paris, France

The undersigned, a duly authorised officer of Guaranteholder (or any permitted successor or assignee of its rights under the Obligations defined below) (the “**Guaranteholder**”), hereby certifies to CIFG Europe (“**CIFG**”), with reference to Deed of Financial Guarantee No. CIFGEU- having an Effective Date of ●, 2005 (the “**Guarantee**”) issued by CIFG in respect of the Obligations (capitalised terms used without definition herein having the meanings provided in the Guarantee unless the context shall otherwise require), that:

- (i) The Guaranteholder is the Guaranteholder under the Guarantee.
- (ii) [The Guaranteholder has calculated that the deficiency in respect of the Regular Payments which [are/were] due for payment on [insert Regular Payment Date] under the Obligations (the “**Affected Obligations**”) [will be/was/is] [insert applicable currency and amount] (the “**Shortfall**”). The Issuer has applied all Available Revenue Funds, all Available Redemption Funds and amounts standing to the credit of the Liquidity Ledger, does not have any amount available to it under the Liquidity Facility to fund such Shortfall and such amounts as are available to be drawn under the terms of the Liquidity Facility Agreement have been fully drawn. Of such Shortfall, [insert applicable currency and amount] is [A3b Interest on the Affected Obligations/A3b Ultimate Principal on the Affected Obligations;]

OR [The Guaranteholder or the Noteholder(s) [has/have been] required to repay [insert applicable currency and amount] (the “**Avoided Payment Amount**”) to the Obligor on [insert date] in connection with a Preference Payment declared or recovered from the Guaranteholder or such Noteholder(s) pursuant to an Insolvency Law in accordance with a final non-appealable order of a court of competent jurisdiction;]

- (iii) The Guaranteholder is making a claim under the Guarantee for the [Shortfall/Avoided Payment Amount] to be applied to the payment of the Regular Payments which [are due for payment/were paid but found to be a Preference Payment]. The Guaranteholder will withdraw this Notice of Demand and Certificate, or submit a restated Notice of Demand and Certificate reducing the amount of the demand hereunder, if the required amount of such Regular Payment has been reduced (including reduction to zero) or to the extent that monies are actually received in respect of the Affected Obligations on or prior to any date on which CIFG is required to make payment or delivery under the Guarantee;
- (iv) The Guaranteholder agrees that, following payment of funds by CIFG it shall use reasonable endeavours to procure (a) that such amounts are applied directly to the payment of Regular Payments which [are due for payment/were paid but found to be a Preference Payment]; (b) that such funds are not applied for any other purpose; and (c) the maintenance of an accurate record of such payments with respect to each Obligation and the corresponding claim on the Guarantee and the proceeds thereof. For the purposes of (a) and (b) above, it shall be sufficient if the Guaranteholder directs CIFG to make payment as set out in paragraph (viii) below;
- (v) If the Guaranteholder receives from the Obligor and/or CIFG an amount in excess of the amount required in respect of a Regular Payment, the Guaranteholder shall immediately return the excess amount to CIFG.
- (vi) In consideration of the payments made and to be made to the Guaranteholder by CIFG under the Guarantee, the Holders assign to CIFG full legal and beneficial ownership of the Affected Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to CIFG in respect of such payments. Payments to CIFG in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all Regular Payments in respect of the aforementioned Affected Obligations. The Guaranteholder shall take such action and deliver such instruments as may be requested or required by CIFG to perfect the foregoing assignment and effectuate the purpose or provisions of this clause (vi).

(vii) The Guaranteholder hereby agrees that, so long as no CIFG Event of Default (as defined below) shall have occurred and be continuing, CIFG may at any time during the continuation of any proceeding by or against the Obligor under any applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “**Insolvency Proceeding**”) direct all matters relating to such 67 Insolvency Proceeding, including without limitation, (A) all matters relating to such Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligation (a “**Preference Claim**”), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of CIFG and (C) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, so long as no CIFG Event of Default shall have occurred and be continuing, the Guaranteholder hereby agrees that CIFG shall be subrogated to, and the Guaranteholder hereby assigns, to the fullest extent permitted by law, the rights of the Guaranteholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. “**CIFG Event of Default**” means: (i) any A3b Interest or A3b Ultimate Principal which is due for payment is unpaid by reason of non-payment and is not paid by CIFG on the date stipulated for payment by CIFG in the CIFG Note Guarantee; (ii) CIFG takes formal steps to disclaim, disaffirm, repudiate and/or challenge the validity of any of its obligations under the CIFG Note Guarantee; (iii) a court of competent jurisdiction enters a final and nonappealable order, judgment or decree for the winding-up, or the appointment of an administrator or receiver (including an administrative receiver or manager) of CIFG (or, as the case may be, of a material part of its property or assets); or (iv) CIFG institutes a proceeding seeking a judgment of insolvency or bankruptcy.

(viii) Payment should be made by wire transfer directed to the following account in [city]:

[Guaranteholder’s wire transfer information]

No person, other than CIFG, shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Notice of Demand and Certificate but this shall not affect any such right any person may have otherwise than by virtue of such Act.

This Notice of Demand and Certificate is governed by and shall be construed in accordance with the laws of England and Wales.

IN WITNESS WHEREOF, the Guaranteholder has executed and delivered this Notice of Demand and Certificate as of the _____ day of _____, _____.

[GUARANTEEHOLDER]

By: _____

Name:

Title

For CIFG or
Fiscal Agent Use Only

Wire transfer sent on

by

Confirmation Number:

THIRD PARTY INFORMATION

The information contained in these Listing Particulars with respect to the Seller, the Special Servicer, the Servicer, the Originators, the Account Bank, the GIC Provider, the Cap Provider, the Liquidity Facility Provider, the Swap Counterparty and CIFG relates to and has been obtained from each of them, someone on behalf of them or is publicly available information. The delivery of these Listing Particulars shall not create any implication that there has been no change in the affairs of the Seller, the Special Servicer, the Servicer, the Originators, the Account Bank, the GIC Provider, the Liquidity Facility Provider, the Cap Provider, the Swap Counterparty and CIFG since the date stated in respect of the relevant information in these Listing Particulars, or that the information contained or referred to in these Listing Particulars is correct as of any time subsequent to its date. None of the Noteholders or the Instrumentholders will have any right to proceed directly against the Seller, the Special Servicer, the Servicer, the Originators, the Account Bank, the GIC Provider, the Cap Provider, the Liquidity Facility Provider, the Swap Counterparty or CIFG in respect of their respective obligations under any of the agreements to which they are party.

MORTGAGE POOL

Introduction

The Mortgage Pool will comprise:

- (a) the Completion Mortgage Pool;
- (b) any Further Advances acquired by the Issuer in accordance with the provisions of the Mortgage Sale Agreements and the Special Servicer Agreements;
- (c) any Retentions funded by the Issuer in accordance with the provisions of the relevant Mortgage Sale Agreement and the relevant Special Servicer Agreement; and
- (d) any advances made by the Seller in relation to Ported Mortgage Loans and acquired by the Issuer in accordance with the provisions of the Mortgage Sale Agreements and the Special Servicer Agreements.

The Initial Mortgage Pool comprised the Mortgage Loans purchased by the Seller from the Originators on 24 February 2006 (in relation to the GMAC-RFC Mortgage Loans) and on 17 March 2006 (in relation to the KMC Mortgage Loans). The Preliminary Completion Mortgage Pool comprises the Initial Mortgage Pool other than Mortgage Loans, in each case which have been repaid in full, or in respect of which enforcement procedures have been completed or which have been repurchased by the Originator pursuant to the Original Mortgage Sale Agreements as of 25 February 2006 (the “**GMAC-RFC Cut-Off Date**”) in relation to the GMAC-RFC Mortgage Loans and 21 March 2006 in relation to the KMC Mortgage Loans (the “**KMC Cut-Off Date**”, and together with the GMAC-RFC Cut-Off Date, the “**Cut-Off Date**”). As of the Cut-Off Date, the Preliminary Completion Mortgage Pool had the characteristics shown below. See “*Characteristics of the Preliminary Completion Mortgage Pool*”. The Preliminary Completion Mortgage Pool comprises, in each case by value, 63.10 per cent. of GMAC-RFC Mortgage Loans and 36.90 per cent. KMC Mortgage Loans.

The Seller purchased the legal and beneficial title to the GMAC-RFC Mortgage Loans from GMAC-RFC on 24 February 2006 and will, pursuant to the GMAC-RFC Pool Mortgage Sale Agreement, transfer the beneficial title to the GMAC-RFC Mortgage Loans to the Issuer. The Seller purchased the legal title to the KMC Mortgage Loans from KMC and the beneficial title to the KMC Mortgage Loans from FPMF, in each case, on 17 March 2006 and will, pursuant to the KMC Pool Mortgage Sale Agreement, transfer the beneficial title to the KMC Mortgage Loans to the Issuer.

All of the GMAC-RFC Mortgage Loans in the Completion Mortgage Pool have been originated in accordance with the GMAC-RFC Lending Criteria and all of the KMC Mortgage Loans in the Completion Mortgage Pool have been originated in accordance with the KMC Lending Criteria, subject, in each case, to the relevant Originator’s discretion to lend outside the relevant Lending Criteria as described in “*Lending Criteria of GMAC-RFC — Exceptions/Changes to the GMAC-RFC Lending Criteria*” and in “*Lending Criteria of KMC — Exceptions to the KMC Lending Criteria*”.

Characteristics of the Mortgage Loans

Repayment Terms

The Mortgage Loans will have different repayment methods as follows:

Repayment: a Mortgage Loan under the terms of which monthly instalments covering both interest and principal are payable so that by the stated maturity date for that Mortgage Loan (a “**Repayment Mortgage Loan**”) the full amount of principal advanced to the Borrower (in addition to the interest) has been repaid.

Interest Only: a Mortgage Loan under the terms of which the Borrower is only obliged to pay interest during the term of that Mortgage Loan (an “**Interest Only Mortgage Loan**”) with the entire principal amount being payable only upon the relevant maturity date. As the principal amount associated with an Interest Only Mortgage Loan is repayable only upon the maturity of the Mortgage Loan, a life insurance or endowment policy or other repayment vehicle can be taken as a means of repayment of the Mortgage Loan. However, the Seller does not require the Borrower to provide evidence as to the existence of any such policies, and such policies are not charged by way of collateral security.

Part and Part: a Mortgage Loan under the terms of which the mortgage loan is effectively separated (at the option of, 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. Monthly payments in respect of such mortgage loans (each, a “**Part and Part Mortgage Loan**”) are comprised of the interest due on both portions of the Mortgage Loan and the principal repayable on the portion in respect of which the Borrower is required to pay both interest and principal.

Of the Mortgage Loans in the Preliminary Completion Mortgage Pool, approximately 31.70 per cent. by balance are Repayment Mortgage Loans, approximately 65.06 per cent. by balance are Interest Only Mortgage Loans and approximately 3.25 per cent. by balance are Part and Part Mortgage Loans.

Interest Rate Setting for Mortgage Loans

The applicable rate of interest accruing under each Mortgage Loan is referred to as the “**Mortgage Rate**”. The GMAC-RFC Mortgage Pool consists entirely of Bank of England Repo Rate-Linked Mortgage Loans including Tracker Rate Mortgage Loans, Discount Tracker Rate Mortgage Loans, Discount SVR Mortgage Loans and Fixed Reverting to SVR Mortgage Loans. The KMC Mortgage Pool consists entirely of LIBOR-Linked Mortgage Loans including KVR Mortgage Loans, Discounted KVR Mortgage Loans and Fixed Reverting to KVR Mortgage Loans.

Interest Rate Setting for GMAC-RFC Mortgage Loans

The Preliminary Completion Mortgage Pool consists of approximately 58.68 per cent. by loan count and 63.10 per cent. by value of the Mortgage Loans which are Bank of England repo rate-linked mortgage loans (the “**Bank of England Repo Rate-Linked Mortgage Loans**”) where the applicable Mortgage Rate is calculated by reference to the Bank of England repo rate (the “**Bank of England Repo Rate-Linked Mortgage Rate**”) and includes those as set out below.

The Servicer will be obliged to effect a change as notified to it by the Special Servicer to the Mortgage Rate payable by Borrowers of Bank of England Repo Rate-Linked Mortgage Loans as a result of a change in the Bank of England repo rate (such change becoming effective on the Mortgage Payment Date after the Borrower has been given notice of such change) to ensure that the Mortgage Rate payable by such Borrowers is the applicable Bank of England repo rate (subject to any applicable fixed rate period having expired and generally subject to the Mortgage Conditions of the relevant Bank of England Repo Rate-Linked Mortgage Loan).

Tracker Rate Mortgage Loans

Approximately 2.30 per cent. by loan count and 2.48 per cent. by value of the Mortgage Loans (the “**Tracker Rate Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are Bank of England Repo Rate-Linked Mortgage Loans under which interest accrues at a rate equal to the Bank of England repo rate plus a fixed margin expressed as a percentage over the Bank of England repo rate. Such margin is fixed (in relation to the Bank of England repo rate) for the term of the Mortgage Loan.

Discount Tracker Rate Mortgage Loans

Approximately 1.17 per cent. by loan count and 1.18 per cent. by value of the Mortgage Loans (the “**Discount Tracker Rate Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are

Bank of England Repo Rate-Linked Mortgage Loans under which interest accrues at a rate equal to the Bank of England repo rate plus a margin expressed as a percentage over the Bank of England repo rate. The margin applicable to such Mortgage Loans has been discounted by up to 1.50 per cent. until one of several dates ending no later than 1 September 2007 and thereafter reverts to the relevant Bank of England Repo Rate-Linked Mortgage Rate at the end of the relevant period.

Discount SVR Mortgage Loans

Approximately 16.51 per cent. by loan count and 18.06 per cent. by value of the Mortgage Loans (the “**Discount SVR Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are Mortgage Loans under which interest accrues at a rate equal to a variable rate of interest (the “**SVR**”) where SVR has been discounted by between 0.74 per cent. and 2 per cent. between certain dates ending no later than 1 January 2009 and thereafter reverts to SVR at the end of the relevant period.

Fixed Reverting to SVR Mortgage Loans

Approximately 38.69 per cent. by loan count and 41.37 per cent. by value of the Mortgage Loans (the “**Fixed Reverting to SVR Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are Mortgage Loans under which interest accrues at a fixed rate of interest for a specific period that reverts to SVR at the expiry of the relevant fixed-rate period until one of several dates ending between 1 April 2006 and 1 January 2011.

Interest Rate Setting for KMC Mortgage Loans

The Preliminary Completion Mortgage Pool consists of approximately 41.32 per cent. by loan count and 36.90 per cent. by value of the Mortgage Loans which are LIBOR-linked mortgage loans (the “**LIBOR-Linked Mortgage Loans**”) where the applicable Mortgage Rate is calculated by reference to a variable rate of interest (“**KVR**”) which is set quarterly by KMC as LIBOR plus a margin of between one and three per cent. and includes those as set out below.

LIBOR is determined on the penultimate business day of February, May, August and November by the Special Servicer on behalf of the Issuer. LIBOR as established on such date shall be effective as of the first day of the next calendar month. The margin for the LIBOR-Linked Mortgage Loans will differ, depending upon the characteristics of each Borrower and of the relevant LIBOR-Linked Mortgage Loan, such as the LTV, the Borrower’s credit history and the amount of the relevant LIBOR-Linked Mortgage Loan. Once the margin over KVR is determined for any such LIBOR-Linked Mortgage Loan, such margin is fixed (in relation to KVR) for the term of that Mortgage Loan.

KVR Mortgage Loans

Approximately 0.12 per cent. by loan count and 0.06 per cent. by value of the Mortgage Loans (the “**KVR Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are variable rate mortgage loans under which interest accrues at KVR rate plus a fixed margin expressed as a percentage over KVR. Such margin is fixed (in relation to KVR) for the term of the Mortgage Loan.

Discount KVR Mortgage Loans

Approximately 4.53 per cent. by loan count and 4.31 per cent. by value of the Mortgage Loans (the “**Discount KVR Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are variable rate mortgage loans under which interest accrues at KVR plus a fixed margin expressed as a percentage over KVR. The margin applicable to such Mortgage Loans has been discounted by between 0.75 per cent. and 2 per cent. between certain dates ending no later than 29 February 2008 or is stepped over a period of three years and thereafter reverts to KVR plus a fixed margin at the end of the relevant period.

Fixed Reverting to KVR Mortgage Loans

Approximately 36.67 per cent. by loan count and 32.54 per cent. by value of the Mortgage Loans (the “**Fixed Reverting to KVR Mortgage Loans**”) comprised in the Preliminary Completion Mortgage Pool are KVR Mortgage Loans under which interest accrues at a fixed rate of interest for a specific period and thereafter reverts to KVR plus a fixed margin at the expiry of the relevant fixed-rate period until one of several dates ending between 31 May 2006 and 30 November 2008.

Mortgage Payment Dates

All Borrowers are obliged to make monthly payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans (the “**Mortgage Conditions**”). Each of the GMAC-RFC Mortgage Loans has its payment date on the 1st, 15th or the 28th day of each calendar month and each of the KMC Mortgage Loans has its payment date on the last business day of each calendar month (the “**Mortgage Payment Dates**”). All payments by direct debit are made on one of these days. Payments by methods other than direct debit are received throughout the month.

Mortgage Early Repayment Charges

The Mortgage Loans may be prepaid in full or in part at any time and early redemption will generally take place in certain circumstances. The Borrowers may voluntarily redeem the Mortgage Loan when, for example, remortgaging or selling the underlying property or the Mortgage Loan may be redeemed as a result of enforcement proceedings following default by the Borrowers in making scheduled payments. However, an early redemption payment will be charged to a Borrower in connection with, any repayment, if the Mortgage Loan is prepaid within the first few years of its term (in the case of the GMAC-RFC Mortgage Loans, £1,000 and, in the case of the KMC Mortgage Loans, £5,000). The level of early repayment charges depends upon the terms of the relevant Mortgage Loan but is typically on a decreasing sliding scale over the first two or three years. Early redemption payments, once received by the Issuer, constitute the Mortgage Early Repayment Charges and will, other than the Ported Mortgage Early Repayment Charges, be distributed to MERC Holders. Mortgage Early Repayment Charges (including any Ported Mortgage Early Repayment Charges) will not be available to Noteholders.

If a Borrower defaults and enforcement proceedings are initiated, the Enforcement Proceeds may be insufficient to repay the entirety of the Enforcement Liabilities. In the event that the Enforcement Liabilities are greater than the Enforcement Proceeds, such proceeds will be applied first in repaying the Enforcement Third Party Costs. Only when the Enforcement Third Party Costs have been repaid will the Enforcement Proceeds be applied towards payment of those Enforcement Liabilities relating to outstanding fees and charges including Mortgage Early Repayment Charges.

As all Mortgage Loans comprised in the Preliminary Completion Mortgage Pool were completed by 30 December 2005, few Mortgage Early Repayment Charges in respect of the Completion Mortgage Pool are expected to arise after 31 December 2010.

Origination Procedures and Monitoring of Brokers

GMAC-RFC may derive its mortgage business from a network of Packagers (as defined below) who may be remote processors. None of the Mortgage Loans in the Completion Mortgage Pool are derived from direct dealings with consumers. GMAC-RFC regularly monitors the performance of all its partners during the course of its business.

GMAC-RFC sources its mortgage business primarily through a network of authorised packagers that have been approved by GMAC-RFC (the “**Packagers**”) for the submission of loan applications and the introduction of potential borrowers to GMAC-RFC and its mortgage and related financial products. GMAC-RFC has approximately 90 such Packagers operating throughout the United Kingdom, and many of these Packagers have their own network of mortgage intermediaries attracting business on their behalf. GMAC-RFC has sourced and will source business direct from mortgage intermediaries that are authorised by the FSA to conduct mortgage business in so far as may be required under the FSMA. See “*Regulation of the UK Residential Mortgage Market*”. This business is processed through GMAC-RFC’s headquarters in Bracknell. From time to time, a number of these intermediaries also carry on packaging activities for GMAC-RFC.

GMAC-RFC requires professional and business standards to be met as a precondition to becoming one of its Packagers or Remote Processors. Before becoming a GMAC-RFC Packager or Remote Processor, a packager or remote processor must, among other things, confirm that: (a) it holds all necessary authorisations and permissions under the FSMA in respect of its activities as a packager or remote processor; (b) it was (before 1 March 2000) registered under the Data Protection Act 1984 or (on and after 1 March 2000) notified under the Data Protection Act 1998; (c) it will comply with the Guidelines for non-standard lending; and (d) it holds, and will maintain, a Consumer Credit Licence. Before N(M), packagers or remote processors were required to confirm that they were registered with the appropriate self-regulatory body before becoming a GMAC-RFC Packager or Remote Processor.

GMAC-RFC also operates a remote processing programme. The participating firms in the remote processing programme (the “**Remote Processors**”) originate loans on behalf of GMAC-RFC using GMAC-RFC’s standard terms mortgage documentation. The Remote Processors use underwriters who are trained and supervised by GMAC-RFC to apply GMAC-RFC’s Lending Criteria. An underwriter who is employed by GMAC-RFC and located on the Remote Processor’s premises gives the final approval for each mortgage application.

KMC and FPMF follow the Guidelines. 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 Mortgage 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.

Lending Criteria of GMAC-RFC

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

Security

- (a) GMAC-RFC requires a first legal charge over the Property. It must be used by the Borrower(s) for private residential purposes only. Full vacant possession must be obtained at completion and no part let or part possession will be accepted.
- (b) A mortgage valuation is required in respect of any property offered to GMAC-RFC as security for a mortgage advance. The inspection must be carried out by a professional valuer on GMAC-RFC’s approved panel of valuers, as agreed from time to time and managed and monitored by credit risk. For a buy to let (“**BTL**”) Mortgage, the valuation report must provide an estimate of the rental income that may be obtained and must also provide comparables in line with the valuation.
- (c) Property securing a BTL Mortgage must be let on a six or 12 month assured shorthold tenancy or on a company let not exceeding 36 months. It must be let within three months of completion of the Mortgage, and remain available for letting throughout the term of the Mortgage.
- (d) Property securing a BTL Mortgage may not be occupied by the borrower.
- (e) The following property types are considered unacceptable security:
 - Freehold flats and maisonettes (in England & Wales only)
 - Residential flats above commercial premises, with an LTV of more than 85 per cent.
 - Investment flats above commercial premises, with an LTV of more than 75 per cent.
 - Studio flats
 - Properties with unexpired lease term of less than 30 years at end of the mortgage term
 - Shared ownership properties
 - Tenanted properties (residential only)
 - Investment properties (residential only)

- Commercial properties
- Properties subject to agricultural restrictions
- Properties under 10 years old without one of the following:
 - NHBC Certificate
 - Zurich Municipal Guarantee
 - Architect’s Certificate (RIBA)
 - Chartered Building Surveyor’s Certificate (RICS)
- Properties where stage payments are required
- Unimproved/uninhabitable properties i.e. no kitchen or bathroom
- Properties with two kitchens and/or multiple services on BTL mortgages
- Properties with greater than two kitchens and/or multiple services on residential mortgages
- Prefabricated or large panel concrete construction (LPS)
- Pre-fabricated reinforced concrete construction (PRC)
- Concrete block construction designated Mundic
- Properties of high alumina cement
- BISF, metal and steel framed properties
- Any property designated defective under the Housing Act
- Properties of 100 per cent. timber construction
- Properties with ongoing structural movement or movement that requires monitoring
- Underpinned properties where no guarantees are available
- Uninsurable properties, or properties subject to an ongoing insurance claim
- Properties where future saleability may be adversely affected by the presence of electricity pylons or other forms of transmitter
- Properties likely to be adversely affected by local planning, e.g. road widening
- Properties where an unsatisfactory mining search is received
- Grade 1 listed buildings
- Second homes/holiday homes
- Mobile homes and houseboats
- Properties with land in excess of 5 hectares/12 acres

Where the valuation report indicates:

- The interior/exterior condition of the property is poor & demand is poor
- The saleability of the property is affected by local factors & demand is poor

Loan size

GMAC-RFC will not originate a Mortgage Loan that will be £25,000 or less at the time of completion. The maximum loan size is £750,000 for verified loans and £500,000 for self-certified Mortgage Loans and BTL Mortgage Loans.

Loan to Value

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

GMAC-RFC does not originate Mortgage Loans with an LTV higher than 95 per cent. (90 per cent. for self-certified Mortgage Loans, 85 per cent for BTL Mortgages), subject to exceptions in certain circumstances.

Term

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

Borrowers

- (a) Borrowers must be natural persons, and have been at least 18 years of age prior to completion of the Mortgage Loan.
- (b) A maximum number of 4 Borrowers are allowed to be parties to a Mortgage Loan or 2 Borrowers for BTL Mortgages.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - Search supplied by credit reference agency
 - Confirmation of voters roll entries or proof of residency
 - Reference from current employers
 - Accountant's certificate
 - Reference from current lenders
 - Reference from current landlords
- (d) Only 1 satisfied CCJ/default is permitted with a total value of £300. The restriction will only apply in the following circumstances:
 - Where the CCJ/default was registered more than 3 years ago and satisfied at time of application
 - Where the CCJ/default was satisfied more than 12 months prior to application, regardless of the date of registration
 - Where the CCJ/default was registered more than 6 years ago, ignored regardless of whether or not it was satisfied/settled.

In these instances there will be no limit on the number or value of CCJ/defaults permitted. Where the CCJ/default has been satisfied/settled within the last 12 months, it will not be acceptable regardless of number or value.

- (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 will have provided a confirmation of satisfactory conduct of the IVA where appropriate.

Income

BTL Mortgages are deemed to be self-funding. Applicants will declare on the application form details of income and occupation, but no further information is required. Unemployed applicants (not including housewives) will be unacceptable. Gross monthly rental income must be at least 100 per cent. of the monthly mortgage interest payments. Affordability is calculated at the current interest rate of the Mortgage Loan or the Bank of England repo rate plus a reference margin. The reference margin ranges from 1.00 per cent. to 1.25 per cent.

Solicitors

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

- Has a minimum of two partners
- Has indemnity insurance in place (minimum £1,000,000)
- All partners have current practising certificates

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

Retentions

GMAC-RFC does not allow partial retentions. For applications where a retention of £5,000 or less, and provided that the works are not related to structural faults or dry rot, the company will proceed on the basis that the applicant(s) undertake(s) to carry out the necessary works within a specified period of completion. This will normally be three or six months, depending upon the nature of the works. Lending will be based on the after-works value, provided the LTV does not exceed 100 per cent. based on the current valuation, no matter what the nature of the works required or the actual cost. The 'after-works' value can be no more than 10 per cent. higher than the 'present-condition' valuation.

Exceptions/Changes to the GMAC-RFC Lending Criteria

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

Lending Criteria of KMC

The following is a summary of the KMC Lending Criteria that were applied (subject to such deviation made in accordance with the standard of a prudent residential mortgage lender) in respect of the KMC Mortgage Loans in the Completion Mortgage Pool.

Security

- (a) Each Mortgage Loan must be secured by a first legal mortgage over a Property in England or Wales, the primary use of which is residential.
- (b) Only Property of standard construction intended for use wholly or partly as a principal place of residence. A Property which may be let as a holiday letting is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC, Zurich, Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
 - (i) Properties of 100 per cent. timber construction
 - (ii) Properties designated as defective under the Housing Defects Act 1984 and 1985
 - (iii) Properties containing Mundic Block materials
 - (iv) Ex-Local Authority flats and maisonettes
 - (v) High rise flats
 - (vi) Studio flats
 - (vii) Steel framed properties

The following property types are generally never acceptable:

- (i) Properties with agricultural restrictions.
- (ii) Properties determined as unacceptable security.
- (iii) Properties less than 1 year old without either a NHBC certificate, Architects' Certificate, Premier Guarantee or Zurich Municipal Building Guarantees.

- (iv) Properties not wholly owned by the borrower. For example where equity is retained by a builder/developer, housing association or third party.
 - (v) Shared ownership.
 - (vi) Multi-unit properties.
 - (vii) Prefabricated re-enforced concrete (repaired or not).
 - (viii) Flats above commercial premises.
- (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 FPMF and the Agent.
- (f) Where the value of the security is over £500,000, the valuation report is to be countersigned by a Regional Director (or equivalent) of the panel surveying firm. Where the value of the security is greater than £500,001 and the LTV is 70 per cent. or more, in addition to a counter signatory requirement, an additional panel valuation report is to be obtained, the cost of which to be borne by KMC. Where a second valuation has been obtained, lending will be based on the lower of the two valuation figures.
- (g) At the time of completion, the relevant Property must have been insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by FPMF or KMC and that FPMF or KMC became either the sole or joint insured or its interest was noted by the insurers or, in the case of leasehold property, is covered by a landlord's building insurance policy, with, where possible, the interests of FPMF or KMC and the mortgagor endorsed or deemed noted thereon, in each case with a reputable insurance company agreed to by FPMF, 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 Mortgage Loan was made and FPMF or KMC has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.
- (h) Mortgage 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

Mortgage Loans must be at least £25,001 (excluding fees and expenses). Mortgage Loans (including Further Advances) will not exceed £1,000,000 at any time during the life of the Mortgage Loan.

Loan to Value

The LTV is calculated by dividing the gross principal amount advanced at completion of the Mortgage Loan by the value of the Property at origination of the Mortgage Loan or, in some cases, the lower of such valuation and the sale price.

The LTV of each Mortgage 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 Mortgage Loan).

Term

Each Mortgage Loan must have an initial term of between 5 and 30 years and (except for a Mortgage Loan which is a Repayment Mortgage Loan) have no scheduled principal repayment prior to its stated final maturity.

Borrowers

Borrowers must be natural persons, and have been at least 18 years of age prior to completion of the Loan.

A maximum number of 4 Borrowers are allowed to be parties to a Mortgage Loan. Only the 2 highest incomes of such Borrowers will be used for calculating the lending available.

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

- Search supplied by credit reference agency
- Confirmation of voters roll entries or proof of residency
- Reference from current employers
- Accountant's certificate
- Reference from current lenders
- Reference from current landlords
- CAIS information

A CCJ/Decree satisfied more than 12 months prior to application and CCJs for £100 or less whether satisfied or not or CCJs more than 2 years old will not be considered as adverse credit for the purposes of the KMC Lending Criteria and whilst still annotated on the underwriting progress chart, will be disregarded when assessing product eligibility. Explanations for these are not required.

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

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

Income

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 FPMF or its delegate or agent.

The maximum Mortgage Loan will not exceed the higher of 3.5 times the assessed income of the primary borrower plus 1 times the assessed income of the secondary borrower, or 3 times the combined assessed incomes of the primary and secondary Borrowers.

Solicitors

The firm of solicitors acting on behalf of KMC must have at least two practising partners or alternatively the Mortgage Loan must be originated in accordance with the relevant procedure for completion of Mortgage Loans the subject of title insurance.

Further Advances

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

- at least three months must have elapsed since completion of the initial advance;
- repayments on the Mortgage Loan must be up-to-date; and
- the Mortgage Loan must have experienced no arrears at any time in the previous 3 months.

Exceptions/Changes to the KMC Lending Criteria

KMC may vary the KMC Lending Criteria from time to time in the manner of a prudent residential mortgage lender.

Lending Criteria of Oakwood

The following is a summary of the Oakwood Lending Criteria that will be applied (subject to the Special Servicer taking reasonable steps to ensure it is the case (and that any discretions to deviate are made in accordance with the standard of a prudent residential mortgage lender)) in respect of Further Advances, Retentions, Converted Mortgage Loans and Ported Mortgage Loans in the Mortgage Pool.

Security

- (a) Each Mortgage Loan must be secured by a first legal mortgage over a Property in England or Wales, the primary use of which is residential.

- (b) A mortgage valuation is required in respect of any Property offered to the Seller as security for a mortgage advance. The inspection must be carried out by a Valuer on Oakwood's approved panel of Valuers. The Valuer must be professionally qualified, and a member of either the Royal Institute of Chartered Surveyors (ARICS/FRICS) or the Society of Valuers and Auctioneers (ASVA/FSVA). The Valuer must operate within a 25-mile radius of the property. Exceptionally, this requirement may be waived where the Property is in a remote rural area, e.g. northern Scotland.
- (c) Properties under 10 years old will have the benefit of a NHBC, Zurich, Premier guarantee or an architect's certificate or equivalent guarantee from an acceptable body.
- (d) The following property types are considered unacceptable security:
- Freehold flats and maisonettes (in England & Wales only)
 - Residential flats above commercial premises, with an LTV of more than 85 per cent.
 - Investment flats above commercial premises, regardless of LTV
 - Studio flats
 - Properties with unexpired lease term of less than 30 years at end of the mortgage term
 - Shared ownership properties
 - Tenanted properties (Residential only)
 - Investment properties (Residential only)
 - Commercial properties
 - Properties subject to agricultural restrictions
 - Properties under 10 years old without one of the following:
 - NHBC Certificate
 - Zurich Municipal Guarantee
 - Architect's Certificate (RIBA)
 - Chartered Building Surveyor's Certificate (RICS)
 - Properties where stage payments are required
 - Unimproved/uninhabitable properties i.e. no kitchen or bathroom
 - Properties with two kitchens and/or multiple services on BTL mortgages
 - Properties with greater than two kitchens and/or multiple services on residential mortgages
 - Prefabricated or large panel concrete construction (LPS)
 - Pre-fabricated reinforced concrete construction
 - Concrete block construction designated Mundic
 - Properties of high alumina cement
 - BISF, metal and steel framed properties
 - Any property designated defective under the Housing Act
 - Properties of 100 per cent. timber construction
 - Properties with ongoing structural movement or movement that requires monitoring
 - Underpinned properties where no guarantees are available
 - Uninsurable properties, or properties subject to an ongoing insurance claim
 - Properties where future saleability may be adversely affected by the presence of electricity pylons or other forms of transmitter
 - Properties likely to be adversely affected by local planning, e.g. road widening
 - Properties where an unsatisfactory mining search is received

- Grade 1 listed buildings
- Second homes/holiday homes
- Mobile homes and houseboats
- Properties with land in excess of 5 hectares/12 acres

Where the valuation report indicates:

- the interior/exterior condition of the property is poor & demand is poor
- the saleability of the property is affected by local factors & demand is poor

<u>Loan Size</u>	<u>Verified</u>	<u>Self Cert</u>	<u>BTL</u>
Minimum	£ 25,001	£ 25,001	£ 25,001
Maximum	£750,000	£500,000	£500,000

For further advances and porting, the maximum advance will be governed by the maximum LTV of the existing product.

Loan to Value

The LTV is calculated by dividing the gross principal amount (net of any fees) committed at completion of the Mortgage Loan by the lower of the valuation of the Property or, in the case of a Mortgage Loan made for financing the purchase of a Property, the disclosed purchase price (except in exceptional cases, i.e. where the purchase price that has been paid reflects a discount). Oakwood's maximum LTV is 95 per cent. (90 per cent. for self-certified Mortgage Loans, 85 per cent. for BTL Mortgages), subject to exceptions in certain circumstances.

Term

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

Borrowers

- Borrowers must be natural persons, and have been at least 18 years of age prior to completion of the Mortgage Loan.
- A maximum number of 4 Borrowers are allowed to be parties to a Mortgage Loan or 2 Borrowers for BTL Mortgages.
- The applicants must supply a full 3 year address history, and these must be searched. The credit report will identify any other linked addresses and bring back any adverse data registered at those addresses. Adverse credit at linked address should be included in the underwriting decision. The credit report will provide information in respect of:

Voters Roll
Public Information
CIFAS Information
CAIS Information
CML Information
Previous Searches.

Credit Criteria

When establishing the credit requirements, Oakwood will endeavour to apply the same criteria which were used initially to underwrite the original loans. However, Oakwood reserves the right to vary this approach at any time in order to maintain prudent and responsible lending in any and all economic climates.

- CCJs/Defaults will only be counted if they occurred within the last 6 years. CCJs/Defaults registered more than 6 years ago will be ignored regardless of whether they are satisfied or not. CCJs/Defaults satisfied more than 12 months prior to application, regardless of the date of registration, will be ignored.
- Oakwood will not accept applicants who have been made bankrupt whether discharged or not, have entered into an IVA or who have had an administrative order placed on them or a company under their control within the 6 years prior to date of application.

Income

As with the credit criteria, Oakwood will endeavour to apply the criteria used to underwrite the original Mortgage Loan. However, Oakwood reserves the right to vary this approach at any time in order to maintain prudent and responsible lending in any and all economic climates.

BTL Mortgages are deemed to be self-funding. The valuation report will provide a rental figure for the rental coverage calculation. Applicants will declare on the application form details of personal income and occupation, but no further information is required.

Solicitors

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

- Has a minimum of two partners
- Has indemnity insurance in place (minimum £1,000,000)
- All partners have current practising certificates

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

Further Advances in relation to Mortgage Loans

The Seller may make Further Advances and the Issuer may fund the purchase of the beneficial title to such Further Advances, subject as set out in Condition 2(d) and provided that the Special Servicer (on behalf of the Issuer) is satisfied that the Further Advance complies with the Oakwood Lending Criteria and other conditions set out in the section "*Servicing and Special Servicing of the Mortgage Pool — Further Advances*".

Ported Mortgage Loans

The Seller may make an advance in relation to Ported Mortgage Loans and the Issuer may fund the purchase of the beneficial title to such Ported Mortgage Loans, subject as set out in Condition 2(d) and provided that the Special Servicer (on behalf of the Issuer) is satisfied that such advance complies with the Oakwood Lending Criteria and other conditions set out in the section "*Servicing and Special Servicing of the Mortgage Pool — Ported Mortgage Loans*".

Release of Retentions

In relation to the KMC Mortgage Loans, the Seller will release Retentions and the Issuer may fund the release of such Retentions (thereby acquiring the beneficial title to such Retentions), subject as set out in Conditions 2(d) and provided that the Special Servicer (on behalf of the Issuer) is satisfied that the release of such Retention complies with the Oakwood Lending Criteria and other conditions set out in the section "*Servicing and Special Servicing of the Mortgage Pool — Retentions*".

Conversions of Mortgage Loans

The Special Servicer may, subject to certain conditions, on behalf of the Issuer agree to a request from a Borrower to convert such Borrower's Mortgage Loan into a different type of Mortgage Loan. See "*Servicing — and Special Servicing of the Mortgage Pool — Conversion of Mortgages*".

Insurance Policies

Pursuant to the Original GMAC-RFC Pool Mortgage Sale Agreement, GMAC-RFC assigned to the Seller all of its right, title, interest and benefit under a title insurance policy with London & European Title Insurance Services Limited (the "**GMAC-RFC Title Insurance**") and a local search indemnity policy with Legal and Insurance Services Limited (the "**GMAC-RFC Local Search Indemnity Policy**"). Pursuant to the Original KMC Pool Mortgage Sale Agreement, each of KMC and FPMF assigned to the Seller all of its right, title, interest and benefit under a title insurance policy with First Title Insurance plc (the "**KMC Title Insurance**") and, together with the GMAC-RFC Title Insurance, the "**Title Insurance**") and a local search and indemnity policy with Norwich Union (the "**KMC Local Search Indemnity Policy**" and,

together with the GMAC-RFC Local Search Indemnity Policy, the “**Local Search Indemnity Policy**”). Each Title Insurance insures the Seller against the risk of losses arising from any defect or encumbrance precluding the registration of full title and a first legal charge on the relevant Property. Each Local Search Indemnity Policy insures the Seller against risk of losses resulting from adverse entries against Properties the subject of Mortgages in the register of local land charges or replies to enquiry in Form Con29 of the local authority or sewerage undertaker.

Prior to the Issue Date, the Seller has obtained insurance policies with Canopus, a syndicate at Lloyds of London (i) to address the risk that Borrowers may have failed to obtain building insurance over the relevant Property (ii) to address the risk that any Borrower’s building insurance policy has lapsed or is invalid, and (iii) to automatically provide building insurance for the Seller should the Seller, after taking enforcement procedures in respect of any Mortgage Loan, take possession of any Properties. The insurance policies described in paragraphs (i), (ii) and (iii), together with the Title Insurance and the Local Search Indemnity Policy, are referred to as the “**Insurance Policies**”.

The Seller will, pursuant to the Mortgage Sale Agreements, assign to the Issuer all of its right, title, interest and benefit under the Insurance Policies.

CHARACTERISTICS OF THE PRELIMINARY COMPLETION MORTGAGE POOL

The following tables consist of information on the Preliminary Completion Mortgage Pool and are described as follows:

- Section A: All mortgage pool data (£558,713,458.00)
- Section B: GMAC-RFC originated data (£352,522,421.07 which amounts to 63.10 per cent. of the Preliminary Completion Mortgage Pool)
- Section C: KMC originated data (£206,191,036.93 which amounts to 36.90 per cent. of the Preliminary Completion Mortgage Pool)

Values in the tables reflect characteristics of the Mortgage Loans as of the relevant Cut-Off Date. Columns of percentages may not add up to 100 per cent. due to rounding.

The characteristics of the Mortgage Pool as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of the Mortgage Loans prior to the Closing Date.

Section A: All Mortgage Pool

1. Portfolio Statistics

GMAC-RFC Mortgage Pool Cut-Off Date: 25 February 2006

KMC Mortgage Pool Cut-Off Date: 21 March 2006

Original Balance (£): 557,207,025.00

Current Balance (£): 558,713,458.00

Average Current Balance (£): 133,919.81

Number of Loans: 4,172

Percentage of BTL Loans: 7.29%

Percentage of Self Certified Loans: 69.71%

Weighted Average Current Margin of Floating Rate Loans (%): 0.78%

Weighted Average Fixed Rate (%): 5.66%

Weighted Average Stabilised Margin (%): 2.16%

Weighted Average Remaining Term to Reversion as of Cut-Off Date (months): 22.61

Weighted Average Seasoning as of Cut-Off Date (months): 3.19

Weighted Average Original LTV (%): 79.63%

Weighted Average Current LTV (%): 79.88%

Percentage of pool with Current LTV > 80% (by balance): 65.59%

Percentage of pool with Current LTV > 90% (by balance): 29.34%

Percentage of pool with Current LTV > 92.5% (by balance): 5.31%

Percentage of pool with 1 CCJ (by balance): 1.79%

Percentage of pool with 2 CCJs (by balance): 0.45%

Percentage of pool with more than 2 CCJs (by balance): 0.17%

2. Distribution by Current Balance (£)

<u>Current Balance (£)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50,000	9,270,618.88	1.66	230	5.51
50,001-100,000	96,517,014.59	17.27	1,255	30.08
100,001-150,000	161,802,078.46	28.96	1,309	31.38
150,001-200,000	123,673,819.32	22.14	718	17.21
200,001-250,000	92,981,022.85	16.64	421	10.09
250,001-300,000	36,698,001.40	6.57	136	3.26
300,001-500,000	36,212,294.31	6.48	100	2.40
500,001 >=	1,558,608.19	0.28	3	0.07
Total:	558,713,458.00	100.00	4,172	100.00

Average: 133,919.81

3. Distribution by Original LTV (%)

<u>Original LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	32,106,275.34	5.75	423	10.14
50.01%-60.00%	32,273,496.95	5.78	312	7.48
60.01%-70.00%	44,558,783.89	7.98	368	8.82
70.01%-75.00%	55,296,739.53	9.90	387	9.28
75.01%-77.50%	10,340,934.88	1.85	83	1.99
77.51%-80.00%	25,960,234.64	4.65	185	4.43
80.01%-82.50%	19,434,277.67	3.48	142	3.40
82.51%-85.00%	91,981,344.26	16.46	607	14.55
85.01%-87.50%	18,444,410.56	3.30	132	3.16
87.51%-90.00%	195,578,857.83	35.01	1,316	31.54
90.01%-92.50%	4,695,452.41	0.84	30	0.72
92.51%-95.00%	28,042,650.04	5.02	187	4.48
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 79.63%

Original LTV is calculated on the basis of the original loan balance, including fees, as a percentage of the recent valuation of the property.

4. Distribution by Current LTV (%)

<u>Current LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	30,477,964.91	5.46	406	9.73
50.01%-60.00%	34,097,144.83	6.10	329	7.89
60.01%-70.00%	44,319,517.37	7.93	363	8.70
70.01%-75.00%	39,472,489.90	7.06	298	7.14
75.01%-77.50%	25,557,421.50	4.57	172	4.12
77.51%-80.00%	18,315,487.64	3.28	129	3.09
80.01%-82.50%	25,503,705.55	4.56	186	4.46
82.51%-85.00%	39,069,844.42	6.99	259	6.21
85.01%-87.50%	71,724,764.19	12.84	482	11.55
87.51%-90.00%	66,234,423.22	11.85	458	10.98
90.01%-92.50%	134,290,659.93	24.04	894	21.43
92.51%-95.00%	2,963,116.58	0.53	19	0.46
95.01%-97.50%	26,534,467.53	4.75	176	4.22
97.51% >=	152,450.43	0.03	1	0.02
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 79.88%

Current LTV is calculated on the basis of the current loan balance, including fees, as a percentage of the recent valuation of the property.

5. Distribution by Total Number of CCJs

<u>Total Number of CCJs</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
0	545,232,291.13	97.59	4,040	96.84
1	10,016,573.21	1.79	96	2.30
2	2,517,030.37	0.45	25	0.60
3	802,695.64	0.14	10	0.24
4	144,867.65	0.03	1	0.02
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 0.03

6. Distribution of CCJs by Current LTV (%)

<u>CCJ Distribution by Current LTV (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>	<u>No. 0 CCJs</u>	<u>% 0 CCJs</u>	<u>No. 1 CCJs</u>	<u>% 1 CCJs</u>	<u>No. >1 CCJs</u>	<u>% >1 CCJs</u>
<= 50.00%	406	9.73	388	9.30	16	0.38	2	0.05
50.01%-60.00%	329	7.89	314	7.53	13	0.31	2	0.05
60.01%-70.00%	363	8.70	347	8.32	14	0.34	2	0.05
70.01%-75.00%	298	7.14	291	6.98	5	0.12	2	0.05
75.01%-77.50%	172	4.12	166	3.98	3	0.07	3	0.07
77.51%-80.00%	129	3.09	123	2.95	2	0.05	4	0.10
80.01%-82.50%	186	4.46	184	4.41	2	0.05	0	0.00
82.51%-85.00%	259	6.21	248	5.94	6	0.14	5	0.12
85.01%-87.50%	482	11.55	470	11.27	7	0.17	5	0.12
87.51%-90.00%	458	10.98	443	10.62	11	0.26	4	0.10
90.01%-92.50%	894	21.43	870	20.85	17	0.41	7	0.17
92.51%-95.00%	19	0.46	19	0.46	0	0.00	0	0.00
95.01%-97.50%	176	4.22	176	4.22	0	0.00	0	0.00
97.51% >=	1	0.02	1	0.02	0	0.00	0	0.00
Total:	4,172	100.00	4,040	96.84	96	2.30	36	0.86

Weighted Average: 79.88%

CCJs are calculated as of the completion date of the Mortgage Loans.

7. Self Certified Status

<u>Self Certified</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	169,220,707.17	30.29	1,332	31.93
Yes	389,492,750.83	69.71	2,840	68.07
Total:	558,713,458.00	100.00	4,172	100.00

8. Right to Buy Status

<u>Right to Buy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	558,713,458.00	100.00	4,172	100.00
Total:	558,713,458.00	100.00	4,172	100.00

9. Shared Ownership Status

<u>Shared Ownership</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	558,713,458.00	100.00	4,172	100.00
Total:	558,713,458.00	100.00	4,172	100.00

10. BTL Status

<u>Buy to Let</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	517,977,440.09	92.71	3,811	91.35
Yes	40,736,017.91	7.29	361	8.65
Total:	558,713,458.00	100.00	4,172	100.00

11. Purpose of Loan

<u>Purpose of Loan</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Purchase	305,694,971.30	54.71	2,146	51.44
Remortgage	253,018,486.70	45.29	2,026	48.56
Total:	558,713,458.00	100.00	4,172	100.00

12. Distribution by Property Type

<u>Property Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Detached	137,906,702.41	24.68	747	17.91
Flat	69,784,096.63	12.49	486	11.65
Maisonette	4,279,465.19	0.77	32	0.77
Semi-Detached	157,053,781.47	28.11	1,253	30.03
Terraced	189,689,412.30	33.95	1,654	39.65
Total:	558,713,458.00	100.00	4,172	100.00

13. Distribution by Region

<u>Region</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
East Anglia	18,392,824.27	3.29	152	3.64
East Midlands	36,676,241.65	6.56	314	7.53
London	97,503,811.96	17.45	513	12.30
North	19,045,404.94	3.41	209	5.01
North West	54,468,346.68	9.75	512	12.27
Other South East	65,765,661.74	11.77	425	10.19
Outer Metro	77,092,083.12	13.80	453	10.86
South West	62,609,990.46	11.21	444	10.64
Wales	35,477,945.63	6.35	332	7.96
West Midlands	53,378,271.17	9.55	442	10.59
Yorks and Humber	38,302,876.38	6.86	376	9.01
Total:	558,713,458.00	100.00	4,172	100.00

14. Bankruptcy Status

<u>Bankruptcy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	555,681,245.93	99.46	4,146	99.38
Yes	3,032,212.07	0.54	26	0.62
Total:	558,713,458.00	100.00	4,172	100.00

15. Distribution by Seasoning as of Cut-Off Date (months)

<u>Seasoning (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
1.01-2.00	72,942,319.58	13.06	489	11.72
2.01-3.00	333,286,211.40	59.65	2,406	57.67
3.01-4.00	129,710,661.80	23.22	1,100	26.37
4.01-5.00	21,859,414.92	3.91	173	4.15
6.01 >=	914,850.30	0.16	4	0.10
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 3.19

16. Distribution by Remaining Term To Maturity as of Cut-Off Date (months)

<u>Remaining Term To Maturity (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 180.00	78,592,077.70	14.07	629	15.08
180.01-192.00	5,398,775.10	0.97	38	0.91
192.01-204.00	8,495,166.09	1.52	68	1.63
204.01-216.00	11,087,266.45	1.98	84	2.01
216.01-228.00	9,526,095.66	1.71	70	1.68
228.01-240.00	75,655,836.73	13.54	566	13.57
240.01-252.00	5,975,058.85	1.07	47	1.13
252.01-264.00	11,854,917.60	2.12	96	2.30
264.01-276.00	22,373,914.75	4.00	173	4.15
282.01-288.00	9,133,308.92	1.63	65	1.56
288.01-294.00	227,036.05	0.04	2	0.05
294.01-300.00	275,308,362.89	49.28	1,954	46.84
300.01 >=	45,085,641.21	8.07	380	9.11
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 264.13

17. Distribution by Arrears multiple

<u>Arrears multiple</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.00	504,244,363.02	90.25	3,818	91.51
0.01-1.00	41,492,630.80	7.43	270	6.47
1.01-2.00	12,794,790.00	2.29	83	1.99
2.01-3.00	181,674.18	0.03	1	0.02
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 0.10

Arrears multiple is defined as the amount of interest and principal in arrears, including fees, divided by the relevant contractual monthly subscription amount.

18. Distribution by Repayment Type

<u>Repayment Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Interest Only	363,474,021.48	65.06	2,339	56.06
Part & Part	18,145,239.45	3.25	145	3.48
Repayment	177,094,197.07	31.70	1,688	40.46
Total:	558,713,458.00	100.00	4,172	100.00

19. Distribution by Current Margin of Floating Rate Loans (%)

<u>Current Margin of Floating Rate Loans (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.45%	36,646,946.75	25.13	282	27.43
0.46%-0.55%	4,869,505.43	3.34	32	3.11
0.56%-0.65%	732,464.55	0.50	7	0.68
0.66%-0.75%	42,591,013.25	29.21	263	25.58
0.76%-0.85%	14,273,897.41	9.79	104	10.12
0.86%-0.95%	4,142,769.83	2.84	25	2.43
0.96%-1.05%	24,358,416.01	16.70	176	17.12
1.06%-1.15%	5,813,266.71	3.99	47	4.57
1.16%-1.25%	3,398,054.10	2.33	25	2.43
1.26% >=	8,991,165.48	6.17	67	6.52
Total:	145,817,499.52	100.00	1,028	100.00

Weighted Average: 0.78%

20. Distribution by Stabilised Margin (%)

<u>Stabilised Margin (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 1.80%	45,280,988.20	8.10	467	11.19
1.81%-1.90%	6,355,323.18	1.14	49	1.17
1.91%-2.00%	338,648,776.13	60.61	2,352	56.38
2.01%-2.10%	32,787,845.16	5.87	302	7.24
2.11%-2.20%	77,532.83	0.01	1	0.02
2.21%-2.30%	9,841,554.67	1.76	90	2.16
2.31%-2.40%	636,038.65	0.11	5	0.12
2.51%-2.60%	57,016,569.68	10.20	405	9.71
2.61% >=	68,068,829.50	12.18	501	12.01
Total:	558,713,458.00	100.00	4,172	100.00

Weighted Average: 2.16%

21. Distribution by Rate Type

<u>Rate Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
KVR	337,721.23	0.06	5	0.12
KVR Discount	24,074,351.30	4.31	189	4.53
KVR Fixed	181,778,964.40	32.54	1,530	36.67
SVR Discount	100,926,768.80	18.06	689	16.51
SVR Fixed	231,116,994.08	41.37	1,614	38.69
Tracker	13,873,644.94	2.48	96	2.30
Tracker Discount	6,605,013.25	1.18	49	1.17
Total:	558,713,458.00	100.00	4,172	100.00

22. Distribution by Discount over Reversionary Margin for Discount KVR Mortgage Loans

<u>Discount KVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Discount of 0.00% to 0.80% until 01 January 2007	118,766.17	0.49	2	1.06
Discount of 0.00% to 0.80% until 01 April 2008	104,334.99	0.43	1	0.53
Discount of 0.80% to 1.00% until 01 January 2007	698,456.15	2.90	9	4.76
Discount of 1.60% to 1.80% until 01 January 2007	18,854,676.65	78.32	143	75.66
Discount of 1.80% to 2.00% until 01 January 2007	4,298,117.34	17.85	34	17.99
Total:	24,074,351.30	100.00	189	100.00

23. Distribution by Discount over Reversionary Margin for Discount SVR Mortgage Loans

<u>Discount SVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Discount of 0.00% to 0.80% until 01 January 2008	414,961.22	0.41	3	0.44
Discount of 0.80% to 1.00% until 01 July 2007	3,646,419.57	3.61	28	4.06
Discount of 0.80% to 1.00% until 01 October 2007	7,662,563.21	7.59	57	8.27
Discount of 0.80% to 1.00% until 01 January 2008	6,050,434.10	5.99	42	6.10
Discount of 1.00% to 1.20% until 01 July 2007	1,926,602.08	1.91	12	1.74
Discount of 1.00% to 1.20% until 01 October 2007	6,680,329.49	6.62	49	7.11
Discount of 1.00% to 1.20% until 01 January 2008	523,158.74	0.52	3	0.44
Discount of 1.20% to 1.40% until 01 July 2007	1,159,945.60	1.15	9	1.31
Discount of 1.20% to 1.40% until 01 October 2007	4,736,986.19	4.69	29	4.21
Discount of 1.20% to 1.40% until 01 January 2008	33,050,740.93	32.75	208	30.19
Discount of 1.40% to 1.60% until 01 October 2007	1,291,533.83	1.28	11	1.60
Discount of 1.40% to 1.60% until 01 January 2008	28,437,235.36	28.18	208	30.19
Discount of 1.40% to 1.60% until 01 October 2008	125,968.67	0.12	1	0.15
Discount of 1.40% to 1.60% until 01 January 2009	2,528,853.63	2.51	13	1.89
Discount of 1.60% to 1.80% until 01 July 2007	660,391.95	0.65	5	0.73
Discount of 1.60% to 1.80% until 01 July 2008	281,730.75	0.28	2	0.29
Discount of 1.60% to 1.80% until 01 October 2008	108,684.38	0.11	1	0.15
Discount of 1.60% to 1.80% until 01 January 2009	1,133,709.20	1.12	5	0.73
Discount of 1.80% to 2.00% until 01 July 2006	95,409.56	0.09	1	0.15
Discount of 1.80% to 2.00% until 01 January 2007	225,460.96	0.22	1	0.15
Discount of 1.80% to 2.00% until 01 July 2008	185,649.38	0.18	1	0.15
Total:	100,926,768.80	100.00	689	100.00

24. Distribution by Discount over Reversionary Margin for Discount BBR Tracker Mortgage Loans

<i>Discount BBR Tracker Mortgage Loans</i>	<i>Current Balance (£)</i>	<i>Current Balance (% of Total)</i>	<i>Number of Loans</i>	<i>Number of Loans (%)</i>
Discount of 0.00% to 0.80% until 01 July 2007	1,615,494.20	24.46	11	22.45
Discount of 0.00% to 0.80% until 01 October 2007	1,367,598.68	20.71	11	22.45
Discount of 0.80% to 1.00% until 01 January 2007	192,511.96	2.91	1	2.04
Discount of 0.80% to 1.00% until 01 April 2007	367,576.28	5.57	3	6.12
Discount of 0.80% to 1.00% until 01 July 2007	665,585.61	10.08	5	10.20
Discount of 0.80% to 1.00% until 01 October 2007	671,951.65	10.17	8	16.33
Discount of 1.20% to 1.40% until 01 April 2007	1,480,973.60	22.42	7	14.29
Discount of 1.20% to 1.40% until 01 July 2007	64,759.58	0.98	1	2.04
Discount of 1.40% to 1.60% until 01 April 2007	178,561.69	2.70	2	4.08
Total:	6,605,013.25	100.00	49	100.00

25. Distribution by Interest Rate for Fixed Rate Reverting to KVR Mortgage Loans

<u>Fixed Rate Reverting to KVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Fixed rate of 4.00% to 5.00% until 01 October 2006	373,376.16	0.21	4	0.26
Fixed rate of 4.00% to 5.00% until 01 January 2007	839,415.40	0.46	10	0.65
Fixed rate of 4.00% to 5.00% until 01 January 2008	329,965.82	0.18	6	0.39
Fixed rate of 5.01% to 6.00% until 01 July 2006	346,645.96	0.19	3	0.20
Fixed rate of 5.01% to 6.00% until 01 October 2006	1,643,886.41	0.90	10	0.65
Fixed rate of 5.01% to 6.00% until 01 January 2007	6,549,147.80	3.60	41	2.68
Fixed rate of 5.01% to 6.00% until 01 October 2007	430,866.74	0.24	4	0.26
Fixed rate of 5.01% to 6.00% until 01 January 2008	5,991,994.70	3.30	63	4.12
Fixed rate of 5.01% to 6.00% until 01 July 2008	210,682.19	0.12	3	0.20
Fixed rate of 5.01% to 6.00% until 01 October 2008	5,811,795.07	3.20	66	4.31
Fixed rate of 5.01% to 6.00% until 01 January 2009	28,420,276.07	15.63	343	22.42
Fixed rate of 6.01% to 7.00% until 01 July 2006	122,644.62	0.07	1	0.07
Fixed rate of 6.01% to 7.00% until 01 October 2006	364,441.13	0.20	2	0.13
Fixed rate of 6.01% to 7.00% until 01 January 2007	922,960.92	0.51	11	0.72
Fixed rate of 6.01% to 7.00% until 01 July 2007	789,908.34	0.43	5	0.33
Fixed rate of 6.01% to 7.00% until 01 October 2007	5,074,839.67	2.79	31	2.03
Fixed rate of 6.01% to 7.00% until 01 January 2008	25,891,279.15	14.24	186	12.16
Fixed rate of 6.01% to 7.00% until 01 July 2008	1,071,175.10	0.59	9	0.59
Fixed rate of 6.01% to 7.00% until 01 October 2008	12,733,448.70	7.00	103	6.73
Fixed rate of 6.01% to 7.00% until 01 January 2009	56,690,911.33	31.19	423	27.65
Fixed rate of 7.01% to 8.00% until 01 July 2007	272,749.74	0.15	2	0.13
Fixed rate of 7.01% to 8.00% until 01 October 2007	3,093,905.01	1.70	22	1.44
Fixed rate of 7.01% to 8.00% until 01 January 2008	4,217,005.33	2.32	30	1.96
Fixed rate of 7.01% to 8.00% until 01 July 2008	448,741.48	0.25	3	0.20
Fixed rate of 7.01% to 8.00% until 01 October 2008	3,569,668.27	1.96	29	1.90
Fixed rate of 7.01% to 8.00% until 01 January 2009	15,567,233.29	8.56	120	7.84
Total:	<u>181,778,964.40</u>	<u>100.00</u>	<u>1,530</u>	<u>100.00</u>

26. Distribution by Interest Rate for Fixed Rate Reverting to SVR Mortgage Loans

<i>Fixed Rate Reverting to SVR Mortgage Loans</i>	<i>Current Balance (£)</i>	<i>Current Balance (% of Total)</i>	<i>Number of Loans</i>	<i>Number of Loans (%)</i>
Fixed rate of 4.00% to 5.00% until 01 April 2006	132,813.13	0.06	1	0.06
Fixed rate of 4.00% to 5.00% until 01 April 2007	752,781.73	0.33	5	0.31
Fixed rate of 4.00% to 5.00% until 01 July 2007	25,904,883.57	11.21	166	10.29
Fixed rate of 4.00% to 5.00% until 01 January 2008	98,265,553.21	42.52	674	41.76
Fixed rate of 5.01% to 6.00% until 01 October 2006	140,425.61	0.06	1	0.06
Fixed rate of 5.01% to 6.00% until 01 January 2007	270,027.62	0.12	3	0.19
Fixed rate of 5.01% to 6.00% until 01 April 2007	2,878,358.52	1.25	25	1.55
Fixed rate of 5.01% to 6.00% until 01 July 2007	6,234,709.53	2.70	48	2.97
Fixed rate of 5.01% to 6.00% until 01 October 2007	16,149,552.82	6.99	125	7.74
Fixed rate of 5.01% to 6.00% until 01 January 2008	62,837,874.46	27.19	403	24.97
Fixed rate of 5.01% to 6.00% until 01 April 2008	1,213,482.53	0.53	9	0.56
Fixed rate of 5.01% to 6.00% until 01 July 2008	2,848,573.22	1.23	17	1.05
Fixed rate of 5.01% to 6.00% until 01 October 2008	7,136,781.72	3.09	64	3.97
Fixed rate of 5.01% to 6.00% until 01 January 2009	5,418,424.05	2.34	60	3.72
Fixed rate of 5.01% to 6.00% until 01 April 2010	254,630.16	0.11	4	0.25
Fixed rate of 5.01% to 6.00% until 01 July 2010	152,520.86	0.07	2	0.12
Fixed rate of 5.01% to 6.00% until 01 October 2010	268,783.61	0.12	3	0.19
Fixed rate of 5.01% to 6.00% until 01 January 2011	204,057.76	0.09	3	0.19
Fixed rate of 6.01% to 7.00% until 01 July 2007	52,759.97	0.02	1	0.06
Total:	231,116,994.08	100.00	1,614	100.00

27. Index Name

<i>Index Name</i>	<i>Current Balance (£)</i>	<i>Current Balance (% of Total)</i>	<i>Number of Loans</i>	<i>Number of Loans (%)</i>
BBR	20,478,658.19	3.67	145	3.48
KVR	206,191,036.93	36.90	1,724	41.32
SVR	332,043,762.88	59.43	2,303	55.20
Total:	558,713,458.00	100.00	4,172	100.00

28. Distribution of Early Redemption Charges (%)

<u>Early Redemption Charges (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
3%, 2%, 0%, 0%, 0%	6,822,535.09	1.22	45	1.08
3%, 3%, 0%, 0%, 0%	130,926,220.11	23.43	942	22.58
3%, 3%, 3%, 0%, 0%	11,475,444.01	2.05	106	2.54
4%, 3%, 0%, 0%, 0%	184,179,988.52	32.97	1,224	29.34
4%, 3%, 2%, 0%, 0%	13,873,644.94	2.48	96	2.30
5%, 4%, 3%, 0%, 0%	337,721.23	0.06	5	0.12
5%, 4%, 3%, 2%, 1%	4,364,596.01	0.78	23	0.55
5%, 5%, 4%, 3%, 2%	879,992.39	0.16	12	0.29
6%, 6%, 6%, 0%, 0%	148,598,282.80	26.60	1,288	30.87
7%, 6%, 0%, 0%, 0%	25,709,162.52	4.60	171	4.10
7%, 6%, 5%, 0%, 0%	31,545,870.38	5.65	260	6.23
Total:	<u>558,713,458.00</u>	<u>100.00</u>	<u>4,172</u>	<u>100.00</u>

Some of the Early Redemption Charges do not apply for a complete 12 month period.

Section B: GMAC-RFC Mortgage Pool

1. Portfolio Statistics

GMAC-RFC Pool Cut-Off Date: 25 February 2006
 Original Balance (£): 351,304,355.00
 Current Balance (£): 352,522,421.07
 Average Current Balance (£): 144,004.26
 Number of Loans: 2,448
 Percentage of BTL Loans: 11.56%
 Percentage of Self Certified Loans: 59.26%
 Weighted Average Current Margin of Floating Rate Loans (%): 0.74%
 Weighted Average Fixed Rate (%): 5.06%
 Weighted Average Stabilised Margin (%): 1.95%
 Weighted Average Remaining Term to Reversion as of Cut-Off Date (months): 21.44
 Weighted Average Seasoning as of Cut-Off Date (months): 2.84
 Weighted Average Original LTV (%): 79.97%
 Weighted Average Current LTV (%): 80.29%
 Percentage of pool with Current LTV > 80% (by balance): 65.28%
 Percentage of pool with Current LTV > 90% (by balance): 28.99%
 Percentage of pool with Current LTV > 92.5% (by balance): 8.41%
 Percentage of pool with 1 CCJ (by balance): 0.16%
 Percentage of pool with 2 CCJs (by balance): 0.00%
 Percentage of pool with more than 2 CCJs (by balance): 0.00%

2. Distribution by Current Balance (£)

<u>Current Balance (£)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50,000	3,048,347.74	0.86	75	3.06
50,001-100,000	47,488,449.28	13.47	610	24.92
100,001-150,000	99,786,753.84	28.31	806	32.92
150,001-200,000	86,604,457.62	24.57	502	20.51
200,001-250,000	64,230,824.37	18.22	290	11.85
250,001-300,000	23,968,824.14	6.80	90	3.68
300,001-500,000	25,836,155.89	7.33	72	2.94
500,001 >=	1,558,608.19	0.44	3	0.12
Total:	352,522,421.07	100.00	2,448	100.00

Average: 144,004.26

3. Distribution by Original LTV (%)

<u>Original LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	18,482,102.43	5.24	200	8.17
50.01%-60.00%	18,540,506.42	5.26	162	6.62
60.01%-70.00%	27,681,104.77	7.85	205	8.37
70.01%-75.00%	41,944,439.87	11.90	269	10.99
75.01%-77.50%	6,033,653.54	1.71	46	1.88
77.51%-80.00%	13,582,844.64	3.85	91	3.72
80.01%-82.50%	13,430,281.89	3.81	93	3.80
82.51%-85.00%	63,346,679.48	17.97	409	16.71
85.01%-87.50%	12,035,588.36	3.41	83	3.39
87.51%-90.00%	104,707,117.22	29.70	673	27.49
90.01%-92.50%	4,695,452.41	1.33	30	1.23
92.51%-95.00%	28,042,650.04	7.95	187	7.64
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 79.97%

Original LTV is calculated on the basis of the original loan balance, including fees, as a percentage of the recent valuation of the property.

4. Distribution by Current LTV (%)

<u>Current LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	17,375,882.61	4.93	190	7.76
50.01%-60.00%	19,677,883.46	5.58	170	6.94
60.01%-70.00%	27,709,506.23	7.86	203	8.29
70.01%-75.00%	28,208,164.26	8.00	198	8.09
75.01%-77.50%	19,108,277.88	5.42	117	4.78
77.51%-80.00%	10,332,651.84	2.93	68	2.78
80.01%-82.50%	15,675,936.00	4.45	108	4.41
82.51%-85.00%	25,836,180.17	7.33	154	6.29
85.01%-87.50%	49,611,108.14	14.07	340	13.89
87.51%-90.00%	36,797,434.02	10.44	240	9.80
90.01%-92.50%	72,539,361.92	20.58	464	18.95
92.51%-95.00%	2,963,116.58	0.84	19	0.78
95.01%-97.50%	26,534,467.53	7.53	176	7.19
97.51% >=	152,450.43	0.04	1	0.04
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 80.29%

Current LTV is calculated on the basis of the current loan balance, including fees, as a percentage of the recent valuation of the property.

5. Distribution by Total Number of CCJs

<u>Total Number of CCJs</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
0	351,963,618.81	99.84	2,444	99.84
1	558,802.26	0.16	4	0.16
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 0.00

6. Distribution of CCJs by Current LTV (%)

<u>CCJ Distribution by Current LTV (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>	<u>No. 0 CCJs</u>	<u>% 0 CCJs</u>	<u>No. 1 CCJs</u>	<u>% 1 CCJs</u>	<u>No. >1 CCJs</u>	<u>% >1 CCJs</u>
<= 50.00%	190	7.76	190	7.76	0	0.00	0	0.00
50.01%-60.00%	170	6.94	170	6.94	0	0.00	0	0.00
60.01%-70.00%	203	8.29	201	8.21	2	0.08	0	0.00
70.01%-75.00%	198	8.09	198	8.09	0	0.00	0	0.00
75.01%-77.50%	117	4.78	117	4.78	0	0.00	0	0.00
77.51%-80.00%	68	2.78	68	2.78	0	0.00	0	0.00
80.01%-82.50%	108	4.41	108	4.41	0	0.00	0	0.00
82.51%-85.00%	154	6.29	153	6.25	1	0.04	0	0.00
85.01%-87.50%	340	13.89	339	13.85	1	0.04	0	0.00
87.51%-90.00%	240	9.80	240	9.80	0	0.00	0	0.00
90.01%-92.50%	464	18.95	464	18.95	0	0.00	0	0.00
92.51%-95.00%	19	0.78	19	0.78	0	0.00	0	0.00
95.01%-97.50%	176	7.19	176	7.19	0	0.00	0	0.00
97.51% >=	1	0.04	1	0.04	0	0.00	0	0.00
Total:	2,448	100.00	2,444	99.84	4	0.16	0	0.00

Weighted Average: 80.29%

CCJs are calculated as of the completion date of the Mortgage Loans.

7. Self Certified Status

<u>Self Certified</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	143,610,917.79	40.74	1,053	43.01
Yes	208,911,503.28	59.26	1,395	56.99
Total:	352,522,421.07	100.00	2,448	100.00

8. Right to Buy Status

<u>Right to Buy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	352,522,421.07	100.00	2,448	100.00
Total:	352,522,421.07	100.00	2,448	100.00

9. Shared Ownership Status

<u>Shared Ownership</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	352,522,421.07	100.00	2,448	100.00
Total:	352,522,421.07	100.00	2,448	100.00

10. BTL Status

<u>Buy to Let</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	311,786,403.16	88.44	2,087	85.25
Yes	40,736,017.91	11.56	361	14.75
Total:	352,522,421.07	100.00	2,448	100.00

11. Purpose of Loan

<u>Purpose of Loan</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Purchase	187,640,762.62	53.23	1,263	51.59
Remortgage	164,881,658.45	46.77	1,185	48.41
Total:	352,522,421.07	100.00	2,448	100.00

12. Distribution by Property Type

<u>Property Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Detached	92,871,657.10	26.34	476	19.44
Flat	52,136,170.51	14.79	356	14.54
Maisonette	4,279,465.19	1.21	32	1.31
Semi-Detached	93,783,019.96	26.60	693	28.31
Terraced	109,452,108.31	31.05	891	36.40
Total:	352,522,421.07	100.00	2,448	100.00

13. Distribution by Region

<u>Region</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
East Anglia	11,542,791.03	3.27	90	3.68
East Midlands	22,103,784.34	6.27	176	7.19
London	58,920,515.14	16.71	306	12.50
North	7,309,533.87	2.07	73	2.98
North West	28,468,206.64	8.08	238	9.72
Other South East	44,691,505.30	12.68	287	11.72
Outer Metro	50,870,373.24	14.43	292	11.93
South West	48,422,758.31	13.74	325	13.28
Wales	24,192,778.23	6.86	211	8.62
West Midlands	35,097,551.35	9.96	268	10.95
Yorks and Humber	20,902,623.62	5.93	182	
Total:	352,522,421.07	100.00	2,448	100.00

14. Bankruptcy Status

<u>Bankruptcy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	352,522,421.07	100.00	2,448	100.00
Total:	352,522,421.07	100.00	2,448	100.00

15. Distribution by Seasoning as of Cut-Off Date (months)

<u>Seasoning (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
1.01-2.00	72,942,319.58	20.69	489	19.98
2.01-3.00	266,962,474.74	75.73	1,865	76.18
3.01-4.00	11,308,036.79	3.21	86	3.51
4.01-5.00	394,739.66	0.11	4	0.16
6.01 >=	914,850.30	0.26	4	0.16
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 2.84

16. Distribution by Remaining Term To Maturity as of Cut-Off Date (months)

<u>Remaining Term To Maturity (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 180.00	53,889,814.97	15.29	391	15.97
180.01-192.00	4,800,700.87	1.36	31	1.27
192.01-204.00	5,354,315.79	1.52	38	1.55
204.01-216.00	8,126,321.52	2.31	54	2.21
216.01-228.00	5,902,973.13	1.67	42	1.72
228.01-240.00	55,617,741.80	15.78	384	15.69
240.01-252.00	5,075,430.01	1.44	36	1.47
252.01-264.00	8,038,403.18	2.28	58	2.37
264.01-276.00	17,506,555.70	4.97	129	5.27
282.01-288.00	6,386,425.86	1.81	42	1.72
288.01-294.00	227,036.05	0.06	2	0.08
294.01-300.00	156,276,602.47	44.33	1,049	42.85
300.01 >=	25,320,099.72	7.18	192	7.84
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 259.33

17. Distribution by Arrears multiple

<u>Arrears multiple</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.00	315,343,893.03	89.45	2,212	90.36
0.01-1.00	35,141,335.08	9.97	224	9.15
1.01-2.00	2,037,192.96	0.58	12	0.49
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 0.11

Arrears multiple is defined as the amount of interest and principal in arrears, including fees, divided by the relevant contractual monthly subscription amount.

18. Distribution by Repayment Type

<u>Repayment Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Interest Only	238,640,469.35	67.70	1,500	61.27
Part & Part	15,139,509.64	4.29	113	4.62
Repayment	98,742,442.08	28.01	835	34.11
Total:	352,522,421.07	100.00	2,448	100.00

19. Distribution by Current Margin of Floating Rate Loans (%)

<u>Current Margin of Floating Rate Loans (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.45%	31,306,833.23	25.79	226	27.10
0.46%-0.53%	2,654,822.30	2.19	14	1.68
0.54%-0.60%	1,734,887.55	1.43	15	1.80
0.61%-0.68%	289,110.83	0.24	3	0.36
0.69%-0.75%	42,472,247.08	34.98	261	31.29
0.76%-0.83%	5,797,713.74	4.78	41	4.92
0.84%-0.90%	3,696,527.03	3.04	27	3.24
0.91%-0.98%	1,203,720.72	0.99	8	0.96
0.99%-1.05%	24,196,160.03	19.93	174	20.86
1.06% >=	8,053,404.48	6.63	65	7.79
Total:	121,405,426.99	100.00	834	100.00

Weighted Average: 0.74%

20. Distribution by Stabilised Margin (%)

<u>Stabilised Margin (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 1.80%	13,873,644.94	3.94	96	3.92
1.91%-1.95%	6,605,013.25	1.87	49	2.00
1.96%-2.00%	332,043,762.88	94.19	2,303	94.08
Total:	352,522,421.07	100.00	2,448	100.00

Weighted Average: 1.95%

21. Distribution by Rate Type

<u>Rate Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
SVR Discount	100,926,768.80	28.63	689	28.15
SVR Fixed	231,116,994.08	65.56	1,614	65.93
Tracker	13,873,644.94	3.94	96	3.92
Tracker Discount	6,605,013.25	1.87	49	2.00
Total:	352,522,421.07	100.00	2,448	100.00

22. Distribution by Discount over Reversionary Margin for Discount SVR Mortgage Loans

<u>Discount SVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Discount of 0.00% to 0.80% until 01 January 2008	414,961.22	0.41	3	0.44
Discount of 0.80% to 1.00% until 01 July 2007	3,646,419.57	3.61	28	4.06
Discount of 0.80% to 1.00% until 01 October 2007	7,662,563.21	7.59	57	8.27
Discount of 0.80% to 1.00% until 01 January 2008	6,050,434.10	5.99	42	6.10
Discount of 1.00% to 1.20% until 01 July 2007	1,926,602.08	1.91	12	1.74
Discount of 1.00% to 1.20% until 01 October 2007	6,680,329.49	6.62	49	7.11
Discount of 1.00% to 1.20% until 01 January 2008	523,158.74	0.52	3	0.44
Discount of 1.20% to 1.40% until 01 July 2007	1,159,945.60	1.15	9	1.31
Discount of 1.20% to 1.40% until 01 October 2007	4,736,986.19	4.69	29	4.21
Discount of 1.20% to 1.40% until 01 January 2008	33,050,740.93	32.75	208	30.19
Discount of 1.40% to 1.60% until 01 October 2007	1,291,533.83	1.28	11	1.60
Discount of 1.40% to 1.60% until 01 January 2008	28,437,235.36	28.18	208	30.19
Discount of 1.40% to 1.60% until 01 October 2008	125,968.67	0.12	1	0.15
Discount of 1.40% to 1.60% until 01 January 2009	2,528,853.63	2.51	13	1.89
Discount of 1.60% to 1.80% until 01 July 2007	660,391.95	0.65	5	0.73
Discount of 1.60% to 1.80% until 01 July 2008	281,730.75	0.28	2	0.29
Discount of 1.60% to 1.80% until 01 October 2008	108,684.38	0.11	1	0.15
Discount of 1.60% to 1.80% until 01 January 2009	1,133,709.20	1.12	5	0.73
Discount of 1.80% to 2.00% until 01 July 2006	95,409.56	0.09	1	0.15
Discount of 1.80% to 2.00% until 01 January 2007	225,460.96	0.22	1	0.15
Discount of 1.80% to 2.00% until 01 July 2008	185,649.38	0.18	1	1.15
Total:	<u>100,926,768.80</u>	<u>100.00</u>	<u>689</u>	<u>100.00</u>

23. Distribution by Discount over Reversionary Margin for Discount BBR Tracker Mortgage Loans

<u>Discount BBR Tracker Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Discount of 0.00% to 0.80% until 01 July 2007	1,615,494.20	24.46	11	22.45
Discount of 0.00% to 0.80% until 01 October 2007	1,367,598.68	20.17	11	22.45
Discount of 0.80% to 1.00% until 01 January 2007	192,511.96	2.91	1	2.04
Discount of 0.80% to 1.00% until 01 April 2007	367,576.28	5.57	3	6.12
Discount of 0.80% to 1.00% until 01 July 2007	665,585.61	10.08	5	10.20
Discount of 0.80% to 1.00% until 01 October 2007	671,951.65	10.17	8	16.33
Discount of 1.20% to 1.40% until 01 April 2007	1,480,973.60	22.42	7	14.29
Discount of 1.20% to 1.40% until 01 July 2007	64,759.58	0.98	1	2.04
Discount of 1.40% to 1.60% until 01 April 2007	<u>178,561.69</u>	<u>2.70</u>	<u>2</u>	<u>4.08</u>
Total:	<u>6,605,013.25</u>	<u>100.00</u>	<u>49</u>	<u>100.00</u>

24. Distribution by Interest Rate for Fixed Rate Reverting to SVR Mortgage Loans

<i>Fixed Rate Reverting to SVR Mortgage Loans</i>	<i>Current Balance (£)</i>	<i>Current Balance (% of Total)</i>	<i>Number of Loans</i>	<i>Number of Loans (%)</i>
Fixed rate of 4.00% to 5.00% until 01 April 2006	132,813.13	0.06	1	0.06
Fixed rate of 4.00% to 5.00% until 01 April 2007	752,781.73	0.33	5	0.31
Fixed rate of 4.00% to 5.00% until 01 July 2007	25,904,883.57	11.21	166	10.29
Fixed rate of 4.00% to 5.00% until 01 January 2008	98,265,553.21	42.52	674	41.76
Fixed rate of 5.01% to 6.00% until 01 October 2006	140,425.61	0.06	1	0.06
Fixed rate of 5.01% to 6.00% until 01 January 2007	270,027.62	0.12	3	0.19
Fixed rate of 5.01% to 6.00% until 01 April 2007	2,878,358.52	1.25	25	1.55
Fixed rate of 5.01% to 6.00% until 01 July 2007	6,234,709.53	2.70	48	2.97
Fixed rate of 5.01% to 6.00% until 01 October 2007	16,149,552.82	6.99	125	7.74
Fixed rate of 5.01% to 6.00% until 01 January 2008	62,837,874.46	27.19	403	24.97
Fixed rate of 5.01% to 6.00% until 01 April 2008	1,213,482.53	0.53	9	0.56
Fixed rate of 5.01% to 6.00% until 01 July 2008	2,848,573.22	1.23	17	1.05
Fixed rate of 5.01% to 6.00% until 01 October 2008	7,136,781.72	3.09	64	3.97
Fixed rate of 5.01% to 6.00% until 01 January 2009	5,418,424.05	2.34	60	3.72
Fixed rate of 5.01% to 6.00% until 01 April 2010	254,630.16	0.11	4	0.25
Fixed rate of 5.01% to 6.00% until 01 July 2010	152,520.86	0.07	2	0.12
Fixed rate of 5.01% to 6.00% until 01 October 2010	268,783.61	0.12	3	0.19
Fixed rate of 5.01% to 6.00% until 01 January 2011	204,057.76	0.09	3	0.19
Fixed rate of 6.01% to 7.00% until 01 July 2007	52,759.97	0.02	1	0.06
Total:	231,116,994.08	100.00	1,614	100.00

25. Index Name

<i>Index Name</i>	<i>Current Balance (£)</i>	<i>Current Balance (% of Total)</i>	<i>Number of Loans</i>	<i>Number of Loans (%)</i>
BBR	20,478,658.19	5.81	145	5.92
SVR	332,043,762.88	94.19	2,303	94.08
Total:	352,522,421.07	100.00	2,448	100.00

26. Distribution of Early Redemption Charges (%)

<u>Early Redemption Charges (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
3%, 2%, 0%, 0%, 0%	6,822,535.09	1.94	45	1.84
3%, 3%, 0%, 0%, 0%	130,926,220.11	37.14	942	38.48
3%, 3%, 3%, 0%, 0%	11,475,444.01	3.26	106	4.33
4%, 3%, 0%, 0%, 0%	184,179,988.52	52.25	1,224	50.00
4%, 3%, 2%, 0%, 0%	13,873,644.94	3.94	96	3.92
5%, 4%, 3%, 2%, 1%	4,364,596.01	1.24	23	0.94
5%, 5%, 4%, 3%, 2%	879,992.39	0.25	12	0.49
Total:	352,522,421.07	100.00	2,448	100.00

Some of the Early Redemption Charges do not apply for a complete 12 month period.

Section C: KMC Mortgage Pool Data Tables

1. Portfolio Statistics

KMC Pool Cut-Off Date: 21 March 2006
 Original Balance (£): 205,902,670.00
 Current Balance (£): 206,191,036.93
 Average Current Balance (£): 119,600.37
 Number of Loans: 1,724
 Percentage of BTL Loans: 0.00%
 Percentage of Self Certified Loans: 87.58%
 Weighted Average Current Margin of Floating Rate Loans (%): 1.00%
 Weighted Average Fixed Rate (%): 6.42%
 Weighted Average Stabilised Margin (%): 2.52%
 Weighted Average Remaining Term to Reversion as of Cut-Off Date (months): 24.59
 Weighted Average Seasoning as of Cut-Off Date (months): 3.78
 Weighted Average Original LTV (%): 79.05%
 Weighted Average Current LTV (%): 79.18%
 Percentage of pool with Current LTV > 80% (by balance): 66.13%
 Percentage of pool with Current LTV > 90% (by balance): 29.95%
 Percentage of pool with Current LTV > 92.5% (by balance): 0.00%
 Percentage of pool with 1 CCJ (by balance): 4.59%
 Percentage of pool with 2 CCJs (by balance): 1.22%
 Percentage of pool with more than 2 CCJs (by balance): 0.46%

2. Distribution by Current Balance (£)

<u>Current Balance (£)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50,000	6,222,271.14	3.02	155	8.99
50,001-100,000	49,028,565.31	23.78	645	37.41
100,001-150,000	62,015,324.62	30.08	503	29.18
150,001-200,000	37,069,361.70	17.98	216	12.53
200,001-250,000	28,750,198.48	13.94	131	7.60
250,001-300,000	12,729,177.26	6.17	46	2.67
300,001-500,000	10,376,138.42	5.03	28	1.62
Total:	206,191,036.93	100.00	1,724	100.00

Average: 119,600.37

3. Distribution by Original LTV (%)

<u>Original LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	13,624,172.91	6.61	223	12.94
50.01%-60.00%	13,732,990.53	6.66	150	8.70
60.01%-70.00%	16,877,679.12	8.19	163	9.45
70.01%-75.00%	13,352,299.66	6.48	118	6.84
75.01%-77.50%	4,307,281.34	2.09	37	2.15
77.51%-80.00%	12,377,390.00	6.00	94	5.45
80.01%-82.50%	6,003,995.78	2.91	49	2.84
82.51%-85.00%	28,634,664.78	13.89	198	11.48
85.01%-87.50%	6,408,822.20	3.11	49	2.84
87.51%-90.00%	90,871,740.61	44.07	643	37.30
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 79.05%

Original LTV is calculated on the basis of the original loan balance, including fees, as a percentage of the recent valuation of the property.

4. Distribution by Current LTV (%)

<u>Current LTV (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 50.00%	13,102,082.30	6.35	216	12.53
50.01%-60.00%	14,419,261.37	6.99	159	9.22
60.01%-70.00%	16,610,011.14	8.06	160	9.28
70.01%-75.00%	11,264,325.64	5.46	100	5.80
75.01%-77.50%	6,449,143.62	3.13	55	3.19
77.51%-80.00%	7,982,835.80	3.87	61	3.54
80.01%-82.50%	9,827,769.55	4.77	78	4.52
82.51%-85.00%	13,233,664.25	6.42	105	6.09
85.01%-87.50%	22,113,656.05	10.72	142	8.24
87.51%-90.00%	29,436,989.20	14.28	218	12.65
90.01%-92.50%	61,751,298.01	29.95	430	24.94
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 79.18%

Current LTV is calculated on the basis of the current loan balance, including fees, as a percentage of the recent valuation of the property.

5. Distribution by Total Number of CCJs

<u>Total Number of CCJs</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
0	193,268,672.32	93.73	1,596	92.58
1	9,457,770.95	4.59	92	5.34
2	2,517,030.37	1.22	25	1.45
3	802,695.64	0.39	10	0.58
4	144,867.65	0.07	1	0.06
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 0.08

6. Distribution of CCJs by Current LTV (%)

<u>CCJ Distribution by Current LTV (%)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>	<u>No. 0 CCJs</u>	<u>% 0 CCJs</u>	<u>No. 1 CCJs</u>	<u>% 1 CCJs</u>	<u>No. >1 CCJs</u>	<u>% >1 CCJs</u>
<= 50.00%	216	12.53	198	11.48	16	0.93	2	0.12
50.01%-60.00%	159	9.22	144	8.35	13	0.75	2	0.12
60.01%-70.00%	160	9.28	146	8.47	12	0.70	2	0.12
70.01%-75.00%	100	5.80	93	5.39	5	0.29	2	0.12
75.01%-77.50%	55	3.19	49	2.84	3	0.17	3	0.17
77.51%-80.00%	61	3.54	55	3.19	2	0.12	4	0.23
80.01%-82.50%	78	4.52	76	4.41	2	0.12	0	0.00
82.51%-85.00%	105	6.09	95	5.51	5	0.29	5	0.29
85.01%-87.50%	142	8.24	131	7.60	6	0.35	5	0.29
87.51%-90.00%	218	12.65	203	11.77	11	0.64	4	0.23
90.01%-92.50%	430	24.94	406	23.55	17	0.99	7	0.41
Total:	1,724	100.00	1,596	92.58	92	5.34	36	2.09

Weighted Average: 79.18%

CCJs are calculated as of the completion date of the Mortgage Loans.

7. Self Certified Status

<u>Self Certified</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	25,609,789.38	12.42	279	16.18
Yes	180,581,247.55	87.58	1,445	83.82
Total:	206,191,036.93	100.00	1,724	100.00

8. Right to Buy Status

<u>Right to Buy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	206,191,036.93	100.00	1,724	100.00
Total:	206,191,036.93	100.00	1,724	100.00

9. Shared Ownership Status

<u>Shared Ownership</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	206,191,036.93	100.00	1,724	100.00
Total:	206,191,036.93	100.00	1,724	100.00

10. BTL Status

<u>Buy to Let</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	206,191,036.93	100.00	1,724	100.00
Total:	206,191,036.93	100.00	1,724	100.00

11. Purpose of Loan

<u>Purpose of Loan</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Purchase	118,054,208.68	57.25	883	51.22
Remortgage	88,136,828.25	42.75	841	48.78
Total:	206,191,036.93	100.00	1,724	100.00

12. Distribution by Property Type

<u>Property Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Detached	45,035,045.31	21.84	271	15.72
Flat	17,647,926.12	8.56	130	7.54
Semi-Detached	63,270,761.51	30.69	560	32.48
Terraced	80,237,303.99	38.91	763	44.26
Total:	206,191,036.93	100.00	1,724	100.00

13. Distribution by Region

<u>Region</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
East Anglia	6,850,033.24	3.32	62	3.60
East Midlands	14,572,457.31	7.07	138	8.00
London	38,583,296.82	18.71	207	12.01
North	11,735,871.07	5.69	136	7.89
North West	26,000,140.04	12.61	274	15.89
Other South East	21,074,156.44	10.22	138	8.00
Outer Metro	26,221,709.88	12.72	161	9.34
South West	14,187,232.15	6.88	119	6.90
Wales	11,285,167.40	5.47	121	7.02
West Midlands	18,280,719.82	8.87	174	10.09
Yorks and Humber	17,400,252.76	8.44	194	11.25
Total:	206,191,036.93	100.00	1,724	100.00

14. Bankruptcy Status

<u>Bankruptcy</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
No	203,158,824.86	98.53	1,698	98.49
Yes	3,032,212.07	1.47	26	1.51
Total:	206,191,036.93	100.00	1,724	100.00

15. Distribution by Seasoning as of Cut-Off Date (months)

<u>Seasoning (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
2.01-3.00	66,323,736.66	32.17	541	31.38
3.01-4.00	118,402,625.01	57.42	1,014	58.82
4.01-5.00	21,464,675.26	10.41	169	9.80
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 3.78

16. Distribution by Remaining Term To Maturity as of Cut-Off Date (months)

<u>Remaining Term To Maturity (months)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 180.00	24,702,262.73	11.98	238	13.81
180.01-192.00	598,074.23	0.29	7	0.41
192.01-204.00	3,140,850.30	1.52	30	1.74
204.01-216.00	2,960,944.93	1.44	30	1.74
216.01-228.00	3,623,122.53	1.76	28	1.62
228.01-240.00	20,038,094.93	9.72	182	10.56
240.01-252.00	899,628.84	0.44	11	0.64
252.01-264.00	3,816,514.42	1.85	38	2.20
264.01-276.00	4,867,359.05	2.36	44	2.55
282.01-288.00	2,746,883.06	1.33	23	1.33
294.01-300.00	119,031,760.42	57.73	905	52.49
300.01 >=	19,765,541.49	9.59	188	10.90
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 272.34

17. Distribution by Arrears multiple

<u>Arrears multiple</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.00	188,900,469.99	91.61	1,606	93.16
0.01-1.00	6,351,295.72	3.08	46	2.67
1.01-2.00	10,757,597.04	5.22	71	4.12
2.01-3.00	181,674.18	0.09	1	0.06
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 0.09

Arrears multiple is defined as the amount of interest and principal in arrears, including fees, divided by the relevant contractual monthly subscription amount.

18. Distribution by Repayment Type

<u>Repayment Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Interest Only	124,833,552.13	60.54	839	48.67
Part & Part	3,005,729.81	1.46	32	1.86
Repayment	78,351,754.99	38.00	853	49.48
Total:	206,191,036.93	100.00	1,724	100.00

19. Distribution by Current Margin of Floating Rate Loans (%)

<u>Current Margin of Floating Rate Loans (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 0.10%	2,095,743.49	8.58	28	14.43
0.11%-0.30%	1,563,241.03	6.40	15	7.73
0.31%-0.50%	1,681,129.00	6.89	13	6.70
0.51%-0.70%	923,149.30	3.78	7	3.61
0.71%-0.90%	7,837,471.92	32.10	55	28.35
0.91%-1.10%	359,000.47	1.47	3	1.55
1.11%-1.30%	961,171.84	3.94	6	3.09
1.31%-1.50%	2,488,393.57	10.19	17	8.76
1.51%-1.70%	4,490,453.92	18.39	32	16.49
1.71% >=	2,012,317.99	8.24	18	9.28
Total:	24,412,072.53	100.00	194	100.00

Weighted Average: 1.00%

20. Distribution by Stabilised Margin (%)

<u>Stabilised Margin (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
<= 1.60%	16,601,283.80	8.05	199	11.54
1.61%-1.80%	14,806,059.46	7.18	172	9.98
1.81%-2.00%	6,355,323.18	3.08	49	2.84
2.01%-2.20%	32,865,377.99	15.94	303	17.58
2.21%-2.40%	10,477,593.32	5.08	95	5.51
2.41%-2.60%	57,016,569.68	27.65	405	23.49
2.61%-2.80%	3,489,168.67	1.69	27	1.57
2.81%-3.00%	19,632,015.46	9.52	141	8.18
3.01%-3.20%	2,243,471.78	1.09	16	0.93
3.21% >=	42,704,173.59	20.71	317	18.39
Total:	206,191,036.93	100.00	1,724	100.00

Weighted Average: 2.52%

21. Distribution by Rate Type

<u>Rate Type</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
KVR	337,721.23	0.16	5	0.29
KVR Discount	24,074,351.30	11.68	189	10.96
KVR Fixed	181,778,964.40	88.16	1,530	88.75
Total:	206,191,036.93	100.00	1,724	100.00

22. Distribution by Discount over Reversionary Margin for Discount KVR Mortgage Loans

<u>Discount KVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Discount of 0.00% to 0.80% until 01 January 2007	118,766.17	0.49	2	1.06
Discount of 0.00% to 0.80% until 01 April 2008	104,334.99	0.43	1	0.53
Discount of 0.80% to 1.00% until 01 January 2007	698,456.15	2.90	9	4.76
Discount of 1.60% to 1.80% until 01 January 2007	18,854,676.65	78.32	143	75.66
Discount of 1.80% to 2.00% until 01 January 2007	4,298,117.34	17.85	34	17.99
Total:	24,074,351.30	100.00	189	100.00

23. Distribution by Interest Rate for Fixed Rate Reverting to KVR Mortgage Loans

<u>Fixed Rate Reverting to KVR Mortgage Loans</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
Fixed rate of 4.00% to 5.00% until 01 October 2006	373,376.16	0.21	4	0.26
Fixed rate of 4.00% to 5.00% until 01 January 2007	839,415.40	0.46	10	0.65
Fixed rate of 4.00% to 5.00% until 01 January 2008	329,965.82	0.18	6	0.39
Fixed rate of 5.01% to 6.00% until 01 July 2006	346,645.96	0.19	3	0.20
Fixed rate of 5.01% to 6.00% until 01 October 2006	1,643,886.41	0.90	10	0.65
Fixed rate of 5.01% to 6.00% until 01 January 2007	6,549,147.80	3.60	41	2.68
Fixed rate of 5.01% to 6.00% until 01 October 2007	430,866.74	0.24	4	0.26
Fixed rate of 5.01% to 6.00% until 01 January 2008	5,991,994.70	3.30	63	4.12
Fixed rate of 5.01% to 6.00% until 01 July 2008	210,682.19	0.12	3	0.20
Fixed rate of 5.01% to 6.00% until 01 October 2008	5,811,795.07	3.20	66	4.31
Fixed rate of 5.01% to 6.00% until 01 January 2009	28,420,276.07	15.63	343	22.42
Fixed rate of 6.01% to 7.00% until 01 July 2006	122,644.62	0.07	1	0.07
Fixed rate of 6.01% to 7.00% until 01 October 2006	364,441.13	0.20	2	0.13
Fixed rate of 6.01% to 7.00% until 01 January 2007	922,960.92	0.51	11	0.72
Fixed rate of 6.01% to 7.00% until 01 July 2007	789,908.34	0.43	5	0.33
Fixed rate of 6.01% to 7.00% until 01 October 2007	5,074,839.67	2.79	31	2.03
Fixed rate of 6.01% to 7.00% until 01 January 2008	25,891,279.15	14.24	186	12.16
Fixed rate of 6.01% to 7.00% until 01 July 2008	1,071,175.10	0.59	9	0.59
Fixed rate of 6.01% to 7.00% until 01 October 2008	12,733,448.70	7.00	103	6.73
Fixed rate of 6.01% to 7.00% until 01 January 2009	56,690,911.33	31.19	423	27.65
Fixed rate of 7.01% to 8.00% until 01 July 2007	272,749.74	0.15	2	0.13
Fixed rate of 7.01% to 8.00% until 01 October 2007	3,093,905.01	1.70	22	1.44
Fixed rate of 7.01% to 8.00% until 01 January 2008	4,217,005.33	2.32	30	1.96
Fixed rate of 7.01% to 8.00% until 01 July 2008	448,741.48	0.25	3	0.20
Fixed rate of 7.01% to 8.00% until 01 October 2008	3,569,668.27	1.96	29	1.90
Fixed rate of 7.01% to 8.00% until 01 January 2009	15,567,233.29	8.56	120	7.84
Total:	181,778,964.40	100.00	1,530	100.00

24. Index Name

<u>Index Name</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
KVR	206,191,036.93	100.00	1,724	100.00
Total:	206,191,036.93	100.00	1,724	100.00

25. Distribution of Early Redemption Charges (%)

<u>Early Redemption Charges (%)</u>	<u>Current Balance (£)</u>	<u>Current Balance (% of Total)</u>	<u>Number of Loans</u>	<u>Number of Loans (%)</u>
5%, 4%, 3%, 0%, 0%	337,721.23	0.16	5	0.29
6%, 6%, 6%, 0%, 0%	148,598,282.80	72.07	1,288	74.71
7%, 6%, 0%, 0%, 0%	25,709,162.52	12.47	171	9.92
7%, 6%, 5%, 0%, 0%	31,545,870.38	15.30	260	15.08
Total:	206,191,036.93	100.00	1,724	100.00

Some of the Early Redemption Charges do not apply for a complete 12 month period.

TITLE TO THE MORTGAGE POOL

The Seller acquired the GMAC-RFC Mortgage Loans from GMAC-RFC on 24 February 2006 and the KMC Mortgage Loans from KMC and FPMF on 17 March 2006. Application has been made to the Land Registry to transfer the Mortgages to the Seller and, upon such transfers being completed, the Seller will be the legal owner of such Mortgages. It typically takes between 2 and 4 months in England and Wales for the registration of the transfer of a Mortgage to be completed. Until such time as registration or recording of the transfers of the Mortgages to the Seller is complete, GMAC-RFC or KMC (as applicable) will be the legal owner of such Mortgages. GMAC-RFC and KMC has each given the Seller a power of attorney to enable the Seller to do, in its name, such things as may be necessary to ensure such transfer is completed. The Seller will grant powers of attorney on the same or substantially similar terms to the Issuer pursuant to the Mortgage Sale Agreements.

The Mortgage Loans and the Mortgages will be sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreements. The sale of the Mortgage Loans will take effect in equity only. The Issuer will grant a first fixed equitable charge in favour of the Trustee over its interest in the Mortgage Loans and the Mortgages.

The Servicer is required under the terms of the Servicing Agreements to obtain the title deeds and to ensure the safe custody of the title deeds. The Servicer will have custody of title deeds in respect of the relevant Mortgage Loans and the Mortgages as agent of the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee.

The Seller will have legal title to, and beneficial interest in, each Mortgage Loan immediately prior to entering into the Mortgage Sale Agreements on or prior to the Issue Date, subject to the completion of registration or recording of legal title, as described herein.

Neither the Issuer nor the Trustee will require legal title to be transferred, conveyed or assigned to the Issuer or apply to the Land Registry to register or record their interest in such Mortgages except in the limited circumstances referred to below.

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

Under the Mortgage Sale Agreements and the Issuer Security Deed, the Issuer (with the consent of the Trustee) and the Trustee will each be entitled to require legal title to be transferred, conveyed or assigned to the Issuer and to effect such registrations and 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 Mortgage Loans and the Mortgages, *inter alia*, where (a) it is obliged to do so by law, by court order or by a mandatory requirement of any regulatory authority, (b) an Enforcement Notice has been given, (c) the Trustee considers that the Security or any part thereof is in jeopardy (including the possible insolvency of the Seller) or (d) any action is taken for the winding-up, dissolution, administration or reorganisation of the Seller. These rights are supported by irrevocable powers of attorney given by the Seller to the Issuer and the Trustee.

As a consequence of neither the Issuer nor the Trustee obtaining legal title to the Mortgages and not registering or recording their respective interest in the Land Registry, a *bona fide* purchaser from the Seller (or until such registration or recording of the title of the Seller is complete, a *bona fide* purchaser from GMAC-RFC or KMC as appropriate) for value of any of such Mortgage Loans without notice of any of the interests of the Seller, 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 Seller, 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 Seller (or GMAC-RFC or KMC)). However, the risk of third party claims obtaining priority to the interests of the Issuer or the Trustee would be likely to be limited to circumstances arising from a breach by the Seller (or GMAC-RFC or KMC) of its contractual obligations or fraud, negligence or mistake on the part of the Seller (or GMAC-RFC or KMC) or the Issuer or their respective personnel or agents.

SALE OF THE MORTGAGE POOL

On or about the Issue Date, the Issuer will purchase the Completion Mortgage Pool pursuant to the Mortgage Sale Agreements. Each Mortgage Loan in the Completion Mortgage Pool will be a Mortgage Loan in respect of which the relevant Borrower has made at least one scheduled payment of interest and/or interest and principal (each a “**Monthly Payment**”) and such Monthly Payment was verified on the date of each of the Original GMAC-RFC Pool Mortgage Sale Agreement or the Original KMC Pool Mortgage Sale Agreement, as appropriate. In addition, Further Advances, Retentions and Ported Mortgage Loans may from time to time be included in the Mortgage Pool and will be originated in accordance with the Oakwood Lending Criteria or may include other types of Mortgage Loans if the Rating Agencies have confirmed that the current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected thereby.

Consideration

The initial consideration payable by the Issuer to the Seller for the Completion Mortgage Pool on the Issue Date consists of an amount equal to the aggregate balances of the Mortgage Loans comprised in the Completion Mortgage Pool as at the Issue Date together with additional consideration represented by the issue of the Subordinated Notes by the Issuer to the Initial Instrumentholder and deferred consideration represented by the issue of the MERCs and R Certificates by the Issuer to the Initial Instrumentholder. Interest accruing and all other sums received by the Issuer to which the Seller is entitled in respect of the Mortgage Loans up to but not including the Issue Date will not be for the account of the Issuer and will be repaid to the Seller. See “*Credit Structure — Permitted Withdrawals from the Issuer Transaction Account*”. Interest prepaid and received by the Seller on the Mortgage Loans up to but not including the Issue Date will not be for the account of the Seller and will be repaid to the Issuer. See “*Credit Structure — Application of Cash Receipts*”. Interest accruing and all other sums received by the Seller on the Mortgage Loans on or after the Issue Date will be for the account of the Issuer.

Warranties and Breach of Warranties

The Mortgage Sale Agreements contain the Warranties given by the Seller in relation to the GMAC-RFC Mortgage Loans and the KMC Mortgage Loans comprising the Completion Mortgage Pool. No searches, enquiries or independent investigations have been or will be made by the Issuer or the Trustee, each of whom is relying upon the Warranties.

If a Relevant Breach under the KMC Pool Mortgage Sale Agreement occurs and the Seller has failed to remedy the matter giving rise to such Relevant Breach within 90 days of a written notice of such Relevant Breach served by either the Issuer or the Seller (whoever becomes aware of the same) within 30 days of discovery of such Relevant Breach, then the Issuer may require the Seller to repurchase the relevant Mortgage Loan and Related Security on a date specified by the Issuer which is not less than 5 Business Days and not more than 10 Business Days after a notice to repurchase the relevant Mortgage Loan is given to the Seller in accordance with the terms of the KMC Pool Mortgage Sale Agreement.

If, upon the occurrence of a breach of Warranty under the GMAC-RFC Pool Mortgage Sale Agreement, the breach has not been remedied within 60 business days (or, in relation to a breach of the Warranty given in respect of the priority of the Mortgage against other registered charges, 70 business days) of the Seller receiving notice of such breach (and the Seller having given counter-notice of whether the Seller considers the breach capable of remedy), the Seller will repurchase the relevant Mortgage Loan and Related Security within 50 business days (or, in relation to a breach of the Warranty given in respect of the priority of the Mortgage against other registered charges, 90 business days) of the Seller’s counter-notice or, if no Seller’s counter-notice is given, 50 business days (or, in relation to a breach of the Warranty given in respect of the priority of the Mortgage against other registered charges, 90 business days) of the Issuer’s notice to the Seller of a breach of Warranty by the Seller.

Under the KMC Pool Mortgage Sale Agreement the repurchase price payable by the Seller on the repurchase of any Mortgage Loan will be the aggregate current balance of such Mortgage Loan (including any arrears) as at the close of business on the last day preceding the date of repurchase plus accrued but unpaid interest in relation to that Mortgage Loan.

Under the GMAC-RFC Pool Mortgage Sale Agreement, the repurchase price payable by the Seller on the repurchase of any Mortgage Loan will be the aggregate current balance of such Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase plus accrued but unpaid

interest in relation to that Mortgage Loan less an amount equal to any sum received by the Issuer under any assigned insurance policies (other than those sums applied by the Issuer in repaying the Mortgage Loan, reinstating the relevant Property to which such insurance policy relates, in meeting the Issuer's reasonable costs or any other reasonable expenditure in relation to which the relevant insurance provided cover).

The Issuer has no recourse against the Originators for any breach of a representation or warranty given by such Originator to the Seller under an Original Mortgage Sale Agreement.

The following are certain of the Warranties (or extracts or summaries of certain warranties) given by the Seller in favour of the Issuer under the Mortgage Sale Agreements on the Issue Date and, to the extent they are applicable, the date any Further Advance or Ported Mortgage Loan is made. Certain of the Warranties are qualified by reference to awareness and/or by reference to materiality.

1. Lending Criteria

Subject, in the case of the GMAC-RFC Mortgage Loans, to GMAC-RFC taking reasonable steps to verify it was the case, each Mortgage Loan satisfied, or satisfied in all material respects, the relevant Lending Criteria and where discretion is permitted or referred to therein, such discretion was exercised by an underwriter of the relevant Originator in accordance with the relevant Originator's policies.

2. Standard Documentation

Each Mortgage Loan and its Related Security and each Further Advance has been made in accordance with the standard documentation. The relevant product specifications have been included within the terms of each Mortgage Loan and each Further Advance and there are no product specifications applicable to the Mortgage Pool other than the product specifications. Where special conditions have been used, they are either the special conditions appropriate for the product specification or are not related to a particular Product Specification but are such as would be required for a prudent mortgage lender in the circumstances of the particular Mortgage Loan and the particular Further Advance.

3. The Seller's Title

The Seller is the absolute legal and beneficial owner of the Mortgage Loans, their Related Security and the other property to be sold and/or assigned to the Issuer under the Mortgage Sale Agreement free from all security interests.

4. General

- (a) The terms of each Mortgage Loan and its Related Security constitutes a valid and binding obligation of each Borrower in respect of such Mortgage Loan enforceable in accordance with its terms save where such enforceability may be limited in certain circumstances.
- (b) No lien or right of set-off or compensation has been created or arisen or now exists between the Seller and any Borrower in relation to the Mortgage Loans which would entitle such Borrower to reduce the amount of any payment otherwise due under the Mortgage Loan.
- (c) The Seller has not received written notice of any litigation or claim (including, without limitation, forfeiture proceedings) relating to any Mortgage Loan or Related Security.
- (d) No steps have been taken to enforce the Mortgage Loan or Related Security.
- (e) Each Property is situated in England or Wales.
- (f) No Borrower is an employee of the Seller.
- (g) No Mortgage Loan has a final maturity beyond the date falling two years prior to the Final Payment Date of the Notes.
- (h) Each Title Insurance Policy is in full force and effect and all premiums thereon due on or before the completion date of the sale and purchase of the Mortgage Loans have been paid in full.
- (i) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan or Related Security.

The Mortgage Sale Agreements each contain various restrictions and limits (including financial/monetary limits and time limits) on the Seller's liability and, in connection with its obligation to repurchase the Mortgage Loans, provide that the Issuer shall have no claim or remedy in respect of any breaches of the Warranties where such restrictions or limits apply. Accordingly, the Issuer may suffer loss in respect of matters referred to in the Warranties. Further, the Issuer may not have any direct rights (under general law or in contract) against any solicitors or valuers who, when acting for the Originators in relation to the origination of any Mortgage Loan, may have been negligent or fraudulent. However, and notwithstanding the absence of any such direct rights, the Seller has, to the extent assignable, assigned its causes and rights of actions against third parties to the Issuer pursuant to each Mortgage Sale Agreement. To the extent that such causes and rights of actions against solicitors and valuers prove to be unassignable, the Seller has undertaken to both indemnify the Issuer for any losses incurred by it as a result of any negligence or breach of contract by a solicitor or valuer as well as to instigate action (including, if possible, legal proceedings by the relevant Originator) against such solicitor or valuer as the Issuer (through the Seller) instructs, provided that the Issuer first indemnifies the Seller for the costs of taking such action.

SERVICING AND SPECIAL SERVICING OF THE MORTGAGE POOL

Mortgage Loan Servicing and Special Servicing

The Servicer and the Services

The Servicer will be appointed as agent by the Seller, the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee under the terms of the Servicing Agreements to service the Mortgage Loans.

The duties of the Servicer include:

- (a) maintaining the Mortgage Loan account in respect of each Borrower, making appropriate debit and credit entries in accordance with the terms of the applicable Mortgage Loan and sending each Borrower an account statement every twelve months;
- (b) collecting the Monthly Payments due on the Mortgage Loans (such payments due on the majority of the Mortgage Loans being settled by direct debit). The Monthly Payments are deposited into the GMAC-RFC Pool Collection Account or the KMC Pool Collection Account, as appropriate, and held on trust by the Seller pursuant to the Collection Accounts Declaration of Trust for the Issuer and the Trustee as beneficiaries and are swept on a daily basis to the Issuer Transaction Account;
- (c) notifying Borrowers of changes in their Monthly Payments (any setting of the interest rate for the Mortgage Loans to be effected by the Special Servicer and, if the Special Servicer fails to do so, by the Trustee);
- (d) dealing with the administrative aspects of redemption of a Mortgage 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 Mortgage Loan;
- (e) holding or procuring the holding of deeds relating to the relevant Properties in safe custody; 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.

The appointment of the Servicer 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 relevant Servicing Agreement or if insolvency or similar events occur in relation to such Servicer 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. If the appointment of the Servicer is terminated under the relevant Servicing Agreement, it would be necessary for the Issuer and Trustee to appoint a substitute servicer with experience of servicing residential property mortgage loans in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the relevant Servicing Agreement and the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) are not adversely affected thereby. The Servicer is not released from its obligations under the relevant Servicing Agreement until a substitute servicer has been appointed. The ability of a substitute servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Issuer and the Trustee will be able to appoint a suitable substitute servicer. The Trustee has no obligation to act as servicer upon any such termination.

Under the Servicing Agreements, the Servicer will be responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised by the Trustee and the Issuer to release the relevant Mortgage Loan documents to the person or persons entitled thereto upon redemption. The Servicer may charge a fixed fee for the procedures in connection with the redemption.

The Special Servicer and the Special Services

The Special Servicer will be appointed on behalf of, and as agent for, the Issuer and, if so appointed following the service of an Enforcement Notice, the Trustee under the Special Servicer Agreements to provide certain specialist servicing and administration functions in relation to the Mortgage Loans.

The duties of the Special Servicer include setting the interest rate for the Mortgage Loans, notifying the Servicer, the Issuer and the Trustee of any changes in the Bank of England repo rate, the exercise of

discretions required to be exercised in relation to the settlement and related administration of the Mortgage Loans, considering any request by a Borrower to convert any Mortgage Loan and directing the Servicer to release one or more of joint Borrowers from any liability under a Mortgage Loan and Related Security, where, for example, the relevant Lending Criteria are satisfied.

The Servicer will be obliged under the Servicing Agreements to act upon the instructions of the Special Servicer in relation to certain aspects of the administration of the Mortgage Loans and the Mortgages, including with regard to the conversion of Mortgage Loans. The Special Servicer will notify the Issuer, the Servicer and the Trustee of any change to the Bank of England repo rate.

If the appointment of the Special Servicer is terminated under the relevant Special Servicer Agreement, it would be necessary for the Issuer and Trustee to appoint a substitute special servicer with special servicing experience of residential property mortgage loans in the United Kingdom, provided that such appointment is on substantially the same terms as those set out in the relevant Special Servicer Agreement and the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) are not adversely affected thereby. The Special Servicer is not released from its obligations under the relevant Special Servicer Agreement until a substitute special servicer has been appointed. The ability of a substitute special servicer to fully perform the required services would depend on the information, software and records available at the time of the relevant appointment. Further, no assurance can be given that upon termination, the Issuer and the Trustee will be able to appoint a suitable substitute special servicer. The Trustee is under no obligation to act as Special Servicer upon such termination.

Information and Reporting by Servicer and the Special Servicer

The Servicer is, under the Servicing Agreements responsible for keeping and maintaining records, on a Mortgage Loan by Mortgage Loan basis, for the purposes of identifying at any time any amount due by a Borrower, any amount received from or on behalf of a Borrower and the principal balance and (if different) the total balance for the time being and from time to time outstanding on a Borrower's account.

The Servicer shall report to the Issuer, Trustee, the Cash Manager, the Master Servicer, the Seller and the Special Servicer no later than the fourth Business Day after the tenth day of each calendar month (the tenth day being the "**Servicer Reporting Date**") as to such principal and total balances of the Mortgage Loans and related reconciliations.

Fees of the Servicer and the Special Servicer

The Servicer is entitled to charge a monthly fee for its mortgage settlement and related administration services under the Servicing Agreements of an amount (exclusive of value added tax, if any), equal to the one twelfth of 0.152 per cent. per annum of the aggregate balance of the Mortgage Loans net of (a) the balance on the direct debit suspense account and (b) any unposted redemptions (or other amounts that are properly part of the relevant Mortgage Loan balance) as at the last Business Day of the previous calendar month.

The Special Servicer is entitled to charge a monthly fee for its mortgage settlement and related administration services under the Special Servicing Agreements (payable on each Payment Date in accordance with the Pre-enforcement Interest Priority of Payments) of an amount (exclusive of value added tax, if any), equal to the one twelfth of 0.025 per cent. per annum of the aggregate balance of the Mortgage Loans net of (a) the balance on the direct debit suspense account and (b) any unposted redemptions (or other amounts that are properly part of the relevant Mortgage Loan balance) as at the last Business Day of the previous calendar month.

The Servicer and the Special Servicer will from time to time receive sundry payments in accordance with the Servicing Agreements and the Special Servicer Agreements in consideration for their discharge of daily mortgage administration functions. These amounts are recovered from the Borrowers.

Sub-Contracting by the Servicer and the Special Servicer

The Servicer is permitted in specified circumstances and subject to certain conditions (including that the consent of the Rating Agencies has been obtained) with the prior written consent of the Issuer, the Special Servicer and the Trustee, to sub-contract or delegate its obligations under the relevant Servicing Agreement.

The Special Servicer is permitted in specified circumstances and subject to certain conditions (including that the consent of the Rating Agencies has been obtained), with the prior written consent of the Issuer and the Trustee, to sub-contract or delegate its obligations under the relevant Special Servicer Agreement.

Enforcement Procedures

The Servicer and the Seller have established procedures that the Servicer is required to adhere to for managing Mortgage 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 residential 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 Servicer whereas the majority of the discretionary elements will remain with the Special Servicer, who may appoint the Servicer to undertake certain of these elements.

Further Advances

The Seller may make Further Advances to Borrowers, the beneficial title of which may be purchased by the Issuer. Prior to the funding and purchase of such Further Advances, the Special Servicer (on behalf of the Issuer) will apply the Oakwood Lending Criteria and ensure the satisfaction of, *inter alia*, the following conditions prior to such purchase:

- (a) immediately prior to the making of any Further Advance, the relevant Borrower is not in material breach of any of the conditions of the relevant Borrower’s existing Mortgage Loan and the relevant Borrower has no Arrears Balance;
- (b) the provisions of the CCA and the UTCCR have been complied with to the extent they are in force and apply to such Further Advance;
- (c) the amount of such Further Advance (together with all other Further Advances made on that day) does not exceed an amount calculated by the Special Servicer equal to the aggregate of the amounts standing to the credit of the Further Advances and Retentions Ledger and the Available Capital Funds;
- (d) prior to making the Further Advance no second mortgage or charge has been created over the relevant Property unless such second mortgage or charge has been expressly postponed by deed to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the making of the Further Advance;
- (e) the aggregate amount of (i) such Further Advance when added to the amount of all previous Further Advances (including those agreed but not disbursed) and (ii) all previous Ported Mortgage Loans Advances in excess of the related aggregate principal balance of the initial Mortgage Loans which have been redeemed (the “**Ported Mortgage Loans Excess**”) do not exceed 10 per cent. of the aggregate outstanding principal balance of the Mortgage Loans as at the Issue Date and provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected by the making of such Further Advance;
- (f) all conditions set out in the applicable Special Servicer Agreement relating to Further Advances have been satisfied;
- (g) there is no negative balance on the Principal Ledger or the Further Advances and Retentions Ledger.
- (h) the Oakwood Lending Criteria applicable at the date of purchase of such Further Advance are applied to the Further Advance and to the circumstances of the Borrower at the time the Further Advance is requested;
- (i) no Enforcement Notice has been given by the Trustee which remains in effect;
- (j) the total balance of all Mortgage Loans in the Mortgage Pool which are (i) more than 90 days in arrears and (ii) in repossession does not together exceed 20 per cent. of the total balance of all the Mortgage Loans in the Mortgage Pool as at the previous Calculation Date, provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected by such purchase;
- (k) there has been no material breach by the Seller in the last 24 months of any obligation on its part to repurchase any Mortgage Loan in accordance with the Mortgage Sale Agreements;
- (l) there is no breach of the Warranties in the applicable Mortgage Sale Agreement;

- (m) the repayment terms of each Further Advance are substantially the same as the repayment terms of the initial advance under the Mortgage Loan and the margin or terms in relation to the mortgage interest rate under each Further Advance is at least the same as the margin or terms in relation to the mortgage interest rate under the initial advance of the Mortgage Loan;
- (n) the Borrower has not been in the period of 3 months prior to the making of the Further Advance in arrears on payments due under the existing Mortgage Loan;
- (o) following the purchase of a Further Advance, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances or the conversion of all Mortgage Loans to be made or converted or purchases of Ported Mortgage Loan Advances, as applicable, on such date) calculated in the same way as for the Completion Mortgage Pool (or as agreed by the Special Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Mortgage Pool calculated on the immediately preceding Calculation Date, plus 0.15 per cent;
- (p) the initial advance under the Mortgage Loan in relation to which a Further Advance will relate has not been rescheduled, or had any interest capitalised;
- (q) the initial advance under the Mortgage Loan in relation to which a Further Advance relates has not been rescheduled, or had any interest capitalised in the last 12 months;
- (r) that upon the making of a Further Advance, the aggregate principal balance of the Mortgage Loans in the Mortgage Pool would not be increased by an amount in excess of 1 per cent. over the principal balance of the Mortgage Loans in the Mortgage Pool prior to such Further Advance being made;
- (s) that upon the making of a Further Advance, when aggregated with all other Further Advances made, such Further Advance does not extend the final maturity date of the Mortgage Loans in the Mortgage Pool beyond two years prior to the Final Payment Date;
- (t) following the making of the Further Advance, the weighted average LTV of the Mortgage Loans in the Mortgage Pool would not exceed the weighted average LTV of the Mortgage Loans in the Mortgage Pool on the immediately preceding Calculation Date by more than 1 per cent; and
- (u) there is no debit balance on any Principal Deficiency Ledger;

where:

“**Arrears Balance**” means the aggregate sum of any monies which are due and payable but have not been paid by the relevant Borrower in accordance with the terms of the Mortgage including arrears of any building insurance premia and ground rent and service charge paid by the Seller to reversioners in relation to leasehold properties and not reimbursed by the applicable Borrower;

“**WAFF**” means the weighted average foreclosure frequency; and

“**WALS**” means the weighted average loss severity.

Notwithstanding the preceding conditions, the Seller may make a further advance (other than 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 Seller’s security for such advance ranks in priority of payment and in point of security after the priority of the Mortgage Loan comprised in the Mortgage Pool.

Retentions

The Seller may release Retentions to KMC Pool Borrowers and the Issuer may fund the release of such Retentions (thereby acquiring the beneficial title of such Retentions). Such funding and release is subject to Condition 2(d) and the Special Servicer (on behalf of the Issuer) ensuring satisfaction of the Oakwood Lending Criteria and, *inter alia*, the applicable conditions contained in the relevant Mortgage Conditions in relation to the Retention (including satisfactory assurance that the conditions set out in the original valuation are fulfilled).

Conversion of Mortgages

The Special Servicer may, on behalf of the Issuer, agree to any request by a Borrower for the conversion of a Mortgage Loan (such converted Mortgage Loan, a “**Converted Mortgage Loan**”), provided that such conversion is not on a temporary basis, the value of the Mortgage Loan would not be adversely affected by such conversion and the relevant conditions are satisfied if:

- (a) no Enforcement Notice has been given by the Trustee which remains in effect at the date of the relevant conversion;
- (b) no Converted Mortgage Loan and no agreement to make any such conversion constitutes a regulated consumer credit agreement, as defined in the CCA, in whole or in part;
- (c) the Converted Mortgage Loan will be on terms of the relevant standard documentation utilised at the time of such conversion by the Special Servicer, as the case may be, to document the terms of Mortgage Loans and which has not been varied in any material respect since the Issue Date;
- (d) the Oakwood Lending Criteria have been applied to the Converted Mortgage Loan, to the extent applicable;
- (e) the effect of the conversion would not be to extend the final maturity date of such Mortgage Loan to beyond the date falling two years prior to the latest maturity date of any Mortgage Loan in the Mortgage Pool;
- (f) the warranties contained in the Original GMAC-RFC Pool Mortgage Sale Agreement, the Warranties contained in the GMAC-RFC Pool Mortgage Sale Agreement, the warranties contained in the Original KMC Pool Mortgage Sale Agreement or the Warranties contained in the KMC Pool Mortgage Sale Agreement, as appropriate, are, save as disclosed or otherwise provided in the Mortgage Sale Agreements, correct in relation to the Converted Mortgage Loan upon conversion in accordance with the relevant Special Servicer Agreement;
- (g) the margin on the Mortgage Loan is not reduced;
- (h) the inclusion of the Converted Mortgage Loan when aggregated with all other Converted Mortgage Loans in the Mortgage Pool over the past 12 months does not represent more than 5 per cent. of the aggregate principal balance of the Mortgage Loans in the Mortgage Pool as at 12 months prior to the purchase of such Converted Mortgage Loan, provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings), would not be adversely affected by such change;
- (i) following the conversion of a Mortgage Loan, the product of the WAFF and WALs for the Mortgage Pool after such purchase (and after all other purchases of Further Advances or the conversion of all Mortgage Loans to be made or converted or purchases of Ported Mortgage Loan Advances, as applicable, on such date) calculated in the same way as for the Completion Mortgage Pool (or as agreed by the Special Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Mortgage Pool calculated on the immediately preceding Calculation Date, plus 0.15 per cent.;
- (j) the Borrower is not in material breach of any of the terms and conditions of the existing Mortgage Loan to which the Converted Loan will relate;
- (k) the total balance of all Mortgage Loans in the Mortgage Pool which are (i) more than 90 days in arrears and (ii) in repossession does not together exceed 20 per cent. of the total balance of the Mortgage Loans in the Mortgage Pool as at the previous Calculation Date, provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings), would not be adversely affected by such change;
- (l) following the conversion of a Mortgage Loan, the weighted average LTV of the Mortgage Loans in the Mortgage Pool would not exceed the weighted average LTV of the Mortgage Loans in the Mortgage Pool on the immediately preceding Calculation Date by more than 1 per cent.;
- (m) if the conversion of a Mortgage Loan relates to a change of the payment terms from repayment to interest only, the Borrower has not been in the 3 months prior to the conversion in arrears on payments due under the existing Mortgage Loan; and
- (n) there is no debit balance on any Principal Deficiency Ledger.

Ported Mortgage Loans

The Seller may make advances to Borrowers in relation to the Ported Mortgage Loans (the “**Ported Mortgage Loan Advances**”) and the Issuer may fund the Ported Mortgage Loan Advances (thereby acquiring the beneficial title of such Ported Mortgage Loans). Prior to the funding and purchase of such Ported Mortgage Loans, the Special Servicer (on behalf of the Issuer), acting as a prudent residential

mortgage lender and in accordance with the Oakwood Lending Criteria, the relevant Mortgage Conditions and the conditions set out below, may agree to any request by the Seller to the making of a Ported Mortgage Loan to a Borrower. Further, it will waive or refund any Ported Mortgage Early Repayment Charge incurred by a Borrower in connection with the making of such Ported Mortgage Loan in accordance with the Mortgage Conditions.

If the Special Servicer agrees to the Issuer funding and acquiring a Ported Mortgage Loan, it shall promptly notify the Issuer, the Cash Manager and the Master Servicer. The Cash Manager will then credit any Principal Funds in respect of the initial Mortgage Loan to which a Ported Mortgage Loan relates (as identified by the Special Servicer) to the Ported Mortgage Loan Ledger. In addition, any Ported Mortgage Early Repayment Charges shall also be credited by the Cash Manager to the Ported Mortgage Loan Ledger pending payment to the relevant Borrower.

The Special Servicer will provide certain details to the Cash Manager and the Master Servicer including, the identity of the Mortgage Loan which will be redeemed, the redemption date thereof, the amount of any Ported Mortgage Early Repayment Charge in connection therewith, whether the Ported Mortgage Early Repayment Charge will be waived or refunded (and, if so, as to the relevant amount and whether in whole or in part) and, if refunded, the date of such refund (as and when it is known), any decision by the Special Servicer not to make a Ported Mortgage Loan and/or not to refund a Ported Mortgage Early Repayment Charge, whether there are sufficient amounts standing to the credit of the Ported Mortgage Loan Ledger to make such advance (and the amount of any shortfall).

Prior to the making of such Ported Mortgage Loan Advances, the Special Servicer (on behalf of the Issuer) will apply the Oakwood Lending Criteria and ensure the satisfaction of, *inter alia*, the following conditions prior to such advance:

- (a) immediately prior to the making of any Ported Mortgage Loan Advance, the relevant Borrower is not in material breach of any of the conditions of the relevant Borrower's existing Mortgage Loan;
- (b) the provisions of the CCA and the UTCCR have been complied with to the extent they are in force and apply to such Ported Mortgage Loan Advance;
- (c) the amount of such Ported Mortgage Loan Advance (together with all other Ported Mortgage Loan Advances made on that day) does not exceed an amount calculated by the Special Servicer equal to the aggregate of the amounts standing to the credit of the Ported Mortgage Loan Ledger and the Available Capital Funds;
- (d) the aggregate amount of (i) the Ported Mortgage Loans Excess and (ii) all previous Further Advances (including those agreed but not released) does not exceed 10 per cent. of the aggregate outstanding principal balance of the Mortgage Loans as at the Issue Date, provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected by the making of such Ported Mortgage Loan Advance;
- (e) all conditions set out in the applicable Special Servicer Agreement relating to Ported Mortgage Loans have been satisfied;
- (f) there is no negative balance on the Principal Ledger or the Ported Mortgage Loan Ledger;
- (g) the Oakwood Lending Criteria applicable at the date of purchase of such Ported Mortgage Loan Advance are applied to the advance in relation to the Ported Mortgage Loan and to the circumstances of the Borrower at the time the Ported Mortgage Loan Advance is requested;
- (h) no Enforcement Notice has been given by the Trustee which remains in effect;
- (i) the total balance of all Mortgage Loans in the Mortgage Pool which are (i) more than 90 days in arrears and (ii) in repossession does not together exceed 20 per cent. of the total balance of all the Mortgage Loans in the Mortgage Pool as at the previous Calculation Date, provided that the then current ratings of the Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected by such change;
- (j) there is no breach of the Warranties in the applicable Mortgage Sale Agreement;
- (k) the repayment terms of each Ported Mortgage Loan Advance are substantially the same as the repayment terms of the initial Mortgage Loan and the margin or terms in relation to the mortgage interest rate under each Ported Mortgage Loan Advance is at least the same as the margin or terms in relation to the mortgage interest rate under the initial Mortgage Loan;

- (l) following the Ported Mortgage Loan Advance, the product of the WAFF and WALs for the Mortgage Pool after such advance (and after all other purchases of Further Advances or the conversion of all Mortgage Loans to be made or converted or Ported Mortgage Loan Advances, as applicable, on such date) calculated in the same way as for the Completion Mortgage Pool (or as agreed by the Special Servicer and the Rating Agencies from time to time) would not exceed the product of the WAFF and WALs for the Mortgage Pool calculated on the immediately preceding Calculation Date, plus 0.15 per cent.;
- (m) following the making of the Ported Mortgage Loan Advance, the weighted average LTV of the Mortgage Loans in the Mortgage Pool would not exceed the weighted average LTV of the Mortgage Loans in the Mortgage Pool on the Issue Date by more than 1 per cent.;
- (n) that upon the making of a Ported Mortgage Loan Advance, such Ported Mortgage Loan Advance does not extend the final maturity date of the Ported Mortgage Loans or the Mortgage Loans in the Mortgage Pool beyond two years prior to the Final Payment Date;
- (o) the balance of the Ported Mortgage Loan Advance will be less than the related Ported Mortgage Loan balance (including, for the avoidance of doubt, any capitalised fees and interest) in relation to a Borrower who is in arrears at the time the porting is requested;
- (p) the LTV of the Ported Mortgage Loan Advance will not exceed the maximum allowed LTV for the mortgage product relating to the Ported Mortgage Loan; and
- (q) there is no debit balance on any Principal Deficiency Ledger.

REGULATION OF THE UK RESIDENTIAL MORTGAGE MARKET

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.

Until 31 October 2004, mortgage business in the United Kingdom was self-regulated under the mortgage code (the “**Mortgage Code**”) sponsored by the Council of Mortgage Lenders (the “**CML**”) and policed by the Mortgage Code Compliance Board (the “**MCCB**”). Membership of the CML and compliance with the Mortgage Code were voluntary. The Mortgage Code set out a minimum standard of good mortgage practice. Since 30 April 1998, lender-subscribers to the Mortgage Code were not able to accept mortgage business introduced by intermediaries who were not registered with the appropriate self-regulatory body, which was (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and from 1 November 2000 until 31 October 2004) the MCCB.

On and from N(M), rules and regulations came into force under the FSMA in relation to the regulation of mortgages; the FSA is the regulator under this regime.

The scope of mortgage regulation is set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended.

The following activities: (i) entering into as lender; (ii) administering; (iii) arranging; and (iv) advising on regulated mortgage contracts, together with agreeing to do any of these activities, are regulated activities under the FSMA. On and from N(M), a mortgage contract is a regulated mortgage contract if, at the time it is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. A variation of a Mortgage Loan may also fall within the regime insofar as, on or after N(M), such variation amounts to a new contract (and otherwise satisfies the definition of regulated mortgage contract).

Each entity carrying on a regulated activity under the FSMA, unless an exception is available, is required to hold authorisation and permission from the FSA to carry on that activity. If requirements as to authorisation of lenders, brokers and other intermediaries (in relation to the carrying on of regulated activities under the FSMA concerning entering into a regulated mortgage contract) are not complied with, the regulated mortgage contract is unenforceable against the borrower except with the approval of a court. Generally, each financial promotion relating to a regulated mortgage contract (or other credit agreement secured by a mortgage on land, where the lender carries on the regulated activity of entering into regulated mortgage contracts) has to be issued or approved by a person holding authorisation and permission from the FSA. If such requirements as to financial promotions are not complied with, the regulated mortgage contract (or other credit agreement) is unenforceable against the borrower except with the approval of a court. In particular, an unauthorised person may arrange for an authorised person to administer its regulated mortgage contracts but, if that arrangement comes to an end, that unauthorised person may commit an offence if it administers the contracts for more than one month beginning with the day on which that arrangement comes to an end, although this will not render the contracts unenforceable against the borrower.

Failure to comply with requirements as to authorisation and as to the issue and approval of advertisements is a criminal offence.

Any credit agreement intended to be regulated by the FSMA might instead be wholly or partly regulated by the CCA or treated as such or unregulated, and any credit agreement intended to be unregulated might instead be regulated by the FSMA, because of technical rules on (a) determining whether the credit agreement falls within the definition of “**regulated mortgage contract**” and (b) changes to credit agreements. The Financial Services and Markets Act 2000 (Consequential Amendments) Order 2005 came into force on 16 November 2005. This Order, which amends sections 82 and 146 of the CCA, is intended to remove the possibility that a mortgage agreement could fall to be regulated in certain circumstances under both FSMA and CCA.

To avoid dual regulation, it is intended that regulated mortgage contracts will not be regulated by the CCA. This exemption only affects credit agreements made on or after N(M), and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) which constitutes a regulated mortgage contract.

A court order will be necessary to enforce a land mortgage securing a credit agreement to the extent that it is a regulated mortgage contract to the extent that it would otherwise be regulated by the CCA or be

treated as such. In dealing with such application the court has the power, if it appears just to do so, to amend a credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

The FSA Mortgage: Code of Business Sourcebook (the “**MCOB**”) sets out its conduct of business rules in respect of regulated mortgage activities. These rules cover, amongst other things, pre-contract, start of contract and post-sale disclosures (annual statements), rules on contract changes, charges, arrears and repossessions and certain pre-origination matters, such as financial promotions, and pre-application illustrations. MCOB came into force on N(M). The FSA wrote in November 2005 to a number of mortgage providers to ask for explanations, to be provided before the end of 2005, of their calculations of the amounts of early redemption charges that are contractually applicable in the event of an early redemption.

Rules also came into force on N(M) relating to the prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities, and regulating and extending the appointed representatives regime, which previously applied to investment businesses, to cover mortgages on and from that date.

The Seller’s mortgage lending business and the Servicer’s mortgage administration business constitute regulated activities.

It is likely that the Issuer’s business would not constitute a regulated activity, if the Issuer and Trustee arranged for mortgage administration to be carried out by an administrator having the required permission.

The Seller has received all requisite authorisations and permissions from the FSA to carry on all of its activities which were regulated activities on and from N(M).

Non-Status Lending Guidelines for Lenders and Brokers and Responsible Lending

The Seller follows the Guidelines which were issued by the OFT on 18 July 1997 and revised in November 1997.

The Guidelines regulate the activities of lenders in relation to their activities in the non-standard residential mortgage 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 actions of any broker or other intermediary involved in marketing a lender’s products can jeopardise the lender’s fitness to hold a consumer credit licence, and the Guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with the Guidelines and all relevant statutory requirements. This is so even if the lender has no formal or informal control or influence over the broker.

According to the Guidelines, advertising and other promotional material must be clear and not misleading, and the Guidelines prohibit unfair sales tactics.

The Guidelines 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. The Guidelines are designed to be provided promptly with full explanations of all fees and charges to be payable by the borrower in connection with the mortgage.

Charges payable on any early redemption (in whole or in part) are also restricted under the Guidelines. Essentially, partial repayments must be permitted and any early repayment charges must do no more than cover the costs reasonably incurred by the lender in processing the payments. Certain lenders had previously used the Rule of 78 to set the charges due from borrowers on early redemption, but the Guidelines state that this is unfair and oppressive and that lenders must discontinue its use at the earliest opportunity for loans not regulated by the CCA.

Lenders regulated by the FSA are subject to requirements as to “**responsible lending**”. They are required to take account of the borrower’s ability to repay before deciding to enter into a regulated mortgage contract or to make further advances on such contract. They are also required to put in place, and to operate in accordance with, a written policy on responsible lending.

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 at least two months' written notice has been given, and the borrower must be given written notice of any increase in interest rates at least fourteen days before the date on which the relevant payment falls due.

The Guidelines also state that inclusion of an annual flat interest rate, in cases where the amount of interest component of the payment made by the borrower on each payment date under the loan is calculative on the basis of the full amount drawn under the loan, rather than the principal amount outstanding from time to time under the loan, should be avoided.

In addition, the Guidelines discourage lenders from charging a higher interest rate on default on the basis that it is unfair and oppressive. Any administrative charges incurred on default must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation.

Arrears must be dealt with sympathetically and positively and monitored closely, with repossession taking place only as a last resort. Additionally, the requisite court proceedings should not be instituted unless all other avenues have failed.

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 Mortgage Loans and the extent to which Available Revenue Funds are sufficient to cover any Principal Deficiencies.

The model used in these Listing Particulars for the Mortgage Loans represents an assumed constant per annum rate of prepayment (“CPR”) each month relative to the then outstanding principal balance of a pool of mortgages. 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 Mortgage Loans to be included in the Completion Mortgage Pool.

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

- (a) there are no arrears or enforcements;
- (b) no Mortgage Loan is sold by the Issuer;
- (c) no Principal Deficiency arises;
- (d) the Seller is not in breach of the terms of either of the Mortgage Sale Agreements;
- (e) no Mortgage Loan is repurchased by the Seller;
- (f) no Further Advances are made;
- (g) no Retentions are released;
- (h) no Ported Mortgage Loans are granted;
- (i) no Converted Mortgage Loans are granted;
- (j) the portfolio mix of mortgage loan characteristics remains the same throughout the life of the Notes;
- (k) following the expiry of the fixed rate/discount period (if applicable), the Mortgage Rate on each Mortgage Loan is equal to LIBOR plus a fixed margin, or the Bank of England repo rate plus a fixed margin;
- (l) the Notes are issued on 16 June 2006 and all payments on the Notes are received on the final day of every third calendar month commencing from 31 August 2006;
- (m) LIBOR is equal to 4.70 per cent. and is applied both to the aggregate Principal Amount Outstanding of the Notes and the outstanding principal balance of the Mortgage Loans;
- (n) the Bank of England repo rate is equal to 4.50 per cent.;
- (o) the Mortgages are subject to a constant annual rate of prepayment (unscheduled principal receipts only) as shown in the table below;
- (p) in the case of the table stating “with optional redemption”, the Notes are redeemed at their Principal Amount Outstanding on the Payment Date following the Payment Date on which the aggregate Principal Amount Outstanding of the Notes is less than 10 per cent. of the initial Principal Amount Outstanding of the Notes on the Issue Date;
- (q) interest on the Notes is always calculated on the basis of actual days elapsed in a 365 year (without adjustment);
- (r) there is no pre-funding;
- (s) the Notes will be redeemed in accordance with the Conditions; and
- (t) the Mortgage Pool will be purchased on the Issue Date and has the characteristics defined in “*Mortgage Pool*”.

Weighted Average Life of Years (without Optional Redemption)

	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>	<u>40</u>	<u>15/35</u> ¹
A1	2.53	1.53	1.11	0.87	0.71	0.61	0.53	0.47	0.96
A2	7.20	4.07	2.87	2.22	1.80	1.51	1.29	1.12	1.87
A3a/A3b	17.28	12.06	8.79	6.66	5.41	4.40	3.81	3.30	4.28
B	18.10	12.75	9.33	7.35	5.77	4.95	4.04	3.49	4.78
C	18.10	12.75	9.33	7.35	5.77	4.95	4.04	3.49	4.78
D	18.10	12.75	9.33	7.35	5.77	4.95	4.04	3.49	4.78
E	18.10	12.75	9.33	7.35	5.77	4.95	4.04	3.49	4.78

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

Weighted Average Life of Years (with Optional Redemption)

	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>	<u>40</u>	<u>15/35</u> ¹
A1	2.53	1.53	1.11	0.87	0.71	0.61	0.53	0.47	0.96
A2	7.20	4.07	2.87	2.22	1.80	1.51	1.29	1.12	1.87
A3a/A3b	17.20	11.68	8.04	6.00	4.85	3.94	3.41	2.95	3.92
B	18.01	12.33	8.50	6.56	5.15	4.38	3.59	3.10	4.33
C	18.01	12.33	8.50	6.56	5.15	4.38	3.59	3.10	4.33
D	18.01	12.33	8.50	6.56	5.15	4.38	3.59	3.10	4.33
E	18.01	12.33	8.50	6.56	5.15	4.38	3.59	3.10	4.33

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

There is no assurance that redemption of the Notes will occur as described in (p). The Issuer has no recourse to the Seller in financing its option to redeem all (but not only some) of the Notes.

Assumption (o) above is stated as an average annualised prepayment rate since the prepayment rate for one Interest Period may be substantially different from that of another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

The average lives of the Notes are subject to factors largely outside of the control of the Issuer and consequently no assurance can be given that the Modelling Assumptions used to calculate the average life of the Notes will prove in any way to be realistic and they must therefore be viewed with considerable caution.

Any difference between the Modelling Assumptions and the actual performance and characteristics of the Mortgages will cause the average life of the Notes to differ (which difference can be material) from the corresponding information in the table.

The actual characteristics and performance of the Mortgages are likely to differ from the Modelling Assumptions used in constructing the table, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment assumptions.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

Each class of the Notes will initially be represented by a Temporary Global Note which will be deposited on or around the Issue Date with the Common Depositary. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in the denomination of £50,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events occurs (each an “**Exchange Event**”):

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

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

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS IN GLOBAL FORM

The MERCs, the Subordinated Notes and the R Certificates will each be respectively represented by a Global Instrument which will be registered in the name of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee of the Common Depository for Euroclear and Clearstream, Luxembourg.

The Global Instruments will become exchangeable in whole, but not in part, for individual certificates (“**Definitive Instruments**”) if any of the circumstances described in MERC Condition 13, Subordinated Note Condition 13 or R Certificate Condition 13, as the case may be, occurs.

Whenever a Global Instrument is to be exchanged for Definitive Instruments, such Definitive Instruments will be issued within five business days of the delivery, by or on behalf of the registered holder of the Global Instrument, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Instruments (including, without limitation, the names and addresses of the persons in whose names the Definitive Instruments are to be registered) against the surrender of the relevant Global Instrument at the Specified Office of the Registrar. Such Definitive Instruments, in the case of the Subordinated Notes will be issued in an aggregate principal amount equal to the principal amount of the relevant Global Instrument. Such exchange will be effected in accordance with the provisions of the Paying Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any Instrumentholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

TERMS AND CONDITIONS OF THE NOTES

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

The mortgage backed floating rate notes of Alba 2006 — 1 plc (the “**Issuer**”) will be issued on 16 June 2006 (or such later date as may be agreed between the Issuer, the Trustee and the Lead Manager (the “**Issue Date**”), and will comprise £166,900,000 A1 Notes due 2037 (the “**A1 Notes**”), £93,500,000 A2 Notes due 2037 (the “**A2 Notes**”), £119,100,000 A3a Notes due 2037 (the “**A3a Notes**”), £80,000,000 A3b Notes due 2037 (the “**A3b Notes**” and, together with the A3a Notes, the “**A3 Notes**” and, together with the A2 Notes and the A1 Notes, the “**A Notes**”), £54,750,000 B Notes due 2037 (the “**B Notes**”), £19,200,000 C Notes due 2037 (the “**C Notes**”, £13,600,000 D Notes due 2037 (the “**D Notes**”) and £9,200,000 E Notes due 2037 (the “**E Notes**” and together with the A Notes, the B Notes, the C Notes and the D Notes, the “**Notes**”). The A1 Notes, the A2 Notes, the A3a Notes, the A3b Notes, the B Notes, the C Notes, the D Notes and the E Notes are each referred to as a “**class of Notes**”. The holders of the A1 Notes are referred to as the “**A1 Noteholders**”, the holders of the A2 Notes are referred to as the “**A2 Noteholders**”, the holders of the A3a Notes are referred to as the “**A3a Noteholders**”, the holders of the A3b Notes are referred to as the “**A3b Noteholders**” and together with the A3a Noteholders shall be referred to as the “**A3 Noteholders**” and, with the A1 Noteholders and the A2 Noteholders shall together be referred to as the “**A Noteholders**”. The holders of the B Notes are referred to as the “**B Noteholders**”, the holders of the C Notes are referred to as the “**C Noteholders**”, the holders of the D Notes are referred to as the “**D Noteholders**” and the holders of the E Notes are referred to as the “**E Noteholders**”. The holders of the Notes are referred to as the “**Noteholders**” and the holders of each class of them as a “**class of Noteholders**”.

The A3b Notes will be unconditionally guaranteed as to A3b Interest and A3b Ultimate Principal pursuant to a financial guarantee and the schedule thereto (the “**CIFG Note Guarantee**”) to be issued by CIFG Europe (“**CIFG**”).

The Notes are constituted by a trust deed (as amended or supplemented from time to time (the “**Trust Deed**”), to be dated on or prior to the Issue Date between the Issuer, CIFG and HSBC Trustee (C.I.) Limited (the “**Trustee**”, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Noteholders. The Notes will have the benefit of (to the extent applicable) a paying agency agreement dated on or prior to the Issue Date, as amended or supplemented from time to time (the “**Paying Agency Agreement**”) between the Issuer, the Trustee, HSBC Bank plc, as principal paying agent (the “**Principal Paying Agent**”), as agent bank (the “**Agent Bank**”), as registrar (the “**Registrar**”) and as transfer agent (the “**Transfer Agent**”) and HSBC Institutional Trust Services (Ireland) Limited as Irish paying agent (the “**Irish Paying Agent**”) (together with the Principal Paying Agent, the “**Paying Agents**”).

In these conditions (the “**Conditions**”), all references to “**Agent Bank**” and “**Paying Agent**” shall mean any agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement 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 herein, have the same meanings as those given in the incorporated terms memorandum (the “**Incorporated Terms Memorandum**”) dated the 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 following agreements, dated on or prior to the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the Notes), the Paying Agency Agreement and a security deed between, *inter alios*, the Issuer and the Trustee (the “**Issuer Security Deed**”). Copies of the Trust Deed, the Paying Agency Agreement, the Issuer Security Deed and the other Transaction Documents are available for inspection during usual business hours at the specified office of the Principal Paying Agent. The Noteholders, the holders of the related principal receipts (the “**Receiptholders**” and the “**Receipts**” respectively) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**” (and the talons for further Coupons, the “**Talons**”) respectively) 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 and the Issuer Security Deed.

Condition 1: Form, Denomination and Title

The Notes are in bearer form in the denomination of £50,000 (the “**Minimum Denomination**”) with Receipts, Coupons and Talons attached at the time of issue. Title to the Notes, the Receipts and the Coupons will pass by delivery. The holder of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law or pursuant to Condition 17) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

Condition 2: Status, Ranking, Security and CIFG Note Guarantee

(a) Status and relationship between classes of Notes

The Notes of each class constitute direct, secured (as more particularly described in the Issuer Security Deed) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst Notes of the same class (for the avoidance of doubt, the A1 Notes, A2 Notes, A3a Notes and A3b Notes are deemed to be of one class and will rank *pari passu* without preference or priority amongst themselves except with respect to payment of principal prior to the service of an Enforcement Notice by the Trustee when the Pro Rata Redemption Conditions are not satisfied, when the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes, the A2 Notes will rank behind the A1 Notes but in priority to the A3a Notes and the A3b Notes, the A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes and the A3b Notes will rank *pro rata* and *pari passu* with the A3a Notes but behind the A1 Notes and the A2 Notes).

In accordance with the provisions of this Condition 2, but subject always to the provisions of Condition 5(b), the Trust Deed and the Issuer Security Deed, prior to the service of an Enforcement Notice by the Trustee when the Pro Rata Redemption Conditions are not satisfied (i) payments of principal on the E Notes are subordinated to, *inter alia*, payments of principal on the A Notes, the B Notes, the C Notes and the D Notes, (ii) payments of principal on the D Notes are subordinated to, *inter alia*, payments of principal on the A Notes, the B Notes and the C Notes, (iii) payments of principal on the C Notes are subordinated to, *inter alia*, payments of principal on the A Notes and the B Notes and (iv) payments of principal on the B Notes are subordinated to, *inter alia*, payments of principal on the A Notes.

In accordance with this Condition 2, but subject always to the provisions of Condition 5(b), the Trust Deed and the Issuer Security Deed, prior to the service of an Enforcement Notice by the Trustee when the Pro Rata Redemption Conditions are satisfied, the A Notes, the B Notes, the C Notes, the D Notes and the E Notes will rank *pari passu* and *pro rata* as to payment of principal save that, the A1 Notes will rank in priority to the A2 Notes, the A3a Notes and the A3b Notes; the A2 Notes will rank in priority to the A3a Notes and the A3b Notes but behind the A1 Notes; the A3a Notes will rank *pro rata* and *pari passu* with the A3b Notes but behind the A1 Notes and the A2 Notes; and the A3b Notes will rank *pro rata* and *pari passu* with the A3a Notes but behind the A1 Notes and the A2 Notes.

The Notes are all constituted by the Trust Deed and are secured by the same security, but, pursuant to the Issuer Security Deed, the A Notes will rank in priority to the B Notes, the C Notes, the D Notes and the E Notes in point of security; the B Notes will rank in priority to the C Notes, the D Notes and the E Notes in point of security; the C Notes will rank in priority to the D Notes and the E Notes in point of security; and the D Notes will rank in priority to the E Notes in point of security.

In respect of the interests of Noteholders, the Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of all the classes of Notes as regards all powers, trusts, authorities, duties and discretions of the Trustee and requiring, to the extent of any conflict between the interests of any classes of Noteholders, the Trustee to have regard only to the interests of the holders of the Most Senior Class of Notes. The “**Most Senior Class**” means the A Notes (ranking equally amongst themselves) whilst they remain outstanding, thereafter the B Notes whilst they remain outstanding, thereafter the C Notes whilst they remain outstanding, thereafter the D Notes whilst they remain outstanding and thereafter the E Notes whilst they remain outstanding.

The Trust Deed and Condition 11 contain provisions (i) limiting the rights of the A1 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A2 Noteholders and the A3 Noteholders, (ii) limiting the rights of the A2 Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders and the A3 Noteholders, (iii) limiting the rights of the A3a Noteholders to request or direct the Trustee to take any action or to

pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders, the A2 Noteholders and the A3b Noteholders and (iv) limiting the rights of the A3b Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A1 Noteholders, A2 Noteholders and A3a Noteholders, and in each case without prejudice to the rights of holders of each such class of Notes under Conditions 9 and 10.

In addition, the Trust Deed and Condition 11 contain provisions limiting the powers of: the B Noteholders, the C Noteholders, the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders; the C Noteholders, the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders; the D Noteholders and the E Noteholders to request or direct the Trustee to take any action or to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders and/or the C Noteholders; and the E Noteholders to request or direct the Trustee to take any action to pass any Extraordinary Resolution according to the effect thereof on the interests of the A Noteholders and/or the B Noteholders and/or the C Noteholders and/or the D Noteholders.

Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of (a) the A Noteholders, the exercise of which will be binding on the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (b) the B Noteholders, the exercise of which will be binding on the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (c) the C Noteholders, the exercise of which will be binding on the D Noteholders, the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; (d) the D Noteholders, the exercise of which will be binding on the E Noteholders, the MERC Holders, the Subordinated Noteholders and the R Certificateholders; and (e) the E Noteholders, the exercise of which will be binding on the MERC Holders, the Subordinated Noteholders and R Certificateholders.

(b) **Security**

As security for the payment of all monies 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 Issuer Security Deed) and in respect of certain amounts payable to, *inter alios*, the Servicer under the Servicing Agreements, the Special Servicer under the Special Servicer Agreements, the Principal Paying Agent, the Irish Paying Agent, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicer and Account Bank Agreement, the Liquidity Facility Provider under the Liquidity Facility Agreement, the Swap Counterparty under the Interest Rate Swap Agreement, the Cap Provider under the Interest Rate Cap Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement, the Corporate Services Provider under the Corporate Services Agreement and CIFG under the CIFG Fee Letter and the Guarantee and Reimbursement Agreement, the Issuer will enter into the Issuer Security Deed, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder (such parties, (the “**Secured Parties**”):

- (i) a first fixed charge over all the Issuer’s right, title, interest and benefit in, *inter alia*, the Mortgage Loans and Related Security;
- (ii) a first fixed charge over the Issuer’s right, title, interest and benefit in the Issuer Transaction Account and any other bank account of the Issuer from time to time;
- (iii) an assignment over all the Issuer’s right, title, interest and benefit in:
 - (a) the Mortgage Sale Agreements;
 - (b) the Servicing Agreements;
 - (c) the Special Servicer Agreements;
 - (d) the Cash Management, Master Servicing and Account Bank Agreement;
 - (e) the Paying Agency Agreement
 - (f) the Liquidity Facility Agreement;
 - (g) the Guaranteed Investment Contract;

- (h) the Interest Rate Cap Agreement;
 - (i) the Interest Rate Swap Agreement;
 - (j) the Collection Accounts Declaration of Trust;
 - (k) the Corporate Services Agreement;
 - (l) the CIFG Note Guarantee;
 - (m) the Guarantee and Reimbursement Agreement;
 - (n) the Incorporated Terms Memorandum (together with the documents listed at paragraphs (a) to (m), and the Post Enforcement Call Option Deed, the Trust Deed and the Custodian Agreement, the “**Transaction Documents**”);
 - (o) the Insurance Policies; and
 - (p) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time; and
- (iv) a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property, assets and rights of the Issuer which are not, at any time, covered by the fixed security described above.

(c) ***Pre-Enforcement Interest Priority of Payments***

Prior to the service of an Enforcement Notice by the Trustee, the Cash Manager, on behalf of the Issuer, is required to apply Available Revenue Funds on each Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawn Amount (if any) will be applied in or towards the Revenue Shortfalls only (the “**Pre-Enforcement Interest Priority of Payments**”) (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date:

- (i) *first*, to pay the remuneration due and payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it in acting pursuant to the Trust Deed and/or the Issuer Security Deed together with interest thereon as provided in the Trust Deed and/or the Issuer Security Deed;
- (ii) *second*, to pay amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are due and payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Issuer Security Deed and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax;
- (iii) *third*, to pay *pro rata* and *pari passu*:
 - (A) the servicing fee due and payable to the Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date or if the appointment of the Servicer is terminated and a substitute is appointed, the servicing fee above will reflect the fee schedule agreed with such substitute servicer in accordance with the procedures set out in the relevant Servicing Agreement;
 - (B) the special servicing fee due and payable to the Special Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date; and
 - (C) amounts due to the Paying Agents, the Agent Bank, the Transfer Agent and the Registrar under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement, the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement and the Account Bank, the Cash Manager and the Master Servicer (inclusive of value added tax, if any) under the Cash Management, Master Servicing and Account Bank Agreement;
- (iv) *fourth*, in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement;

- (v) *fifth*, to pay *pari passu* and *pro rata*:
 - (A) amounts due and payable to the Swap Counterparty including (a) scheduled payments due under the Interest Rate Swap Agreement and (b) any termination payment due under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions (except for any relevant Swap Counterparty Default Payment where “**Swap Counterparty Default Payment**” means any termination payment due or payable under the Interest Rate Swap Agreement as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Swap Counterparty (as such terms are defined in the Interest Rate Swap Agreement)); and
 - (B) amounts due and payable to the Cap Provider including (a) scheduled payments due under the Interest Rate Cap Agreement and (b) any termination payment due under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction (except for any Cap Provider Default Payment where “**Cap Provider Default Payment**” means any termination payment due or payable under the Interest Rate Cap Agreement as a result of the occurrence of an Event of Default where the Cap Provider is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Cap Provider (as such terms are defined in the Interest Rate Cap Agreement)); and
 - (C) amounts due and payable to a replacement swap counterparty to the extent not satisfied from any collateral provided by the Swap Counterparty together with the termination payment (if any) made by the Swap Counterparty; and
 - (D) amounts due and payable to a replacement cap provider to the extent not satisfied from any collateral provided by the Cap Provider together with the termination payment (if any) made by the Cap Provider;
- (vi) *sixth*, to pay *pari passu* and *pro rata*:
 - (A) amounts (other than in respect of principal) 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
 - (B) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vii) *seventh*, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the A Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub-Ledger has reached zero;
- (viii) *eighth*, to pay amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (ix) *ninth*, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the B Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (x) *tenth*, to pay amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, to pay amounts to be credited to the C Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the C Notes in accordance with Condition 5) until the balance of the C Principal Deficiency Sub-Ledger has reached zero;

- (xii) *twelfth*, to pay amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, to pay amounts to be credited to the D Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the D Notes in accordance with Condition 5) until the balance of the D Principal Deficiency Sub-Ledger has reached zero;
- (xiv) *fourteenth*, to pay amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xv) *fifteenth*, to pay amounts to be credited to the E Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the E Notes in accordance with Condition 5) until the balance of the E Principal Deficiency Sub-Ledger has reached zero;
- (xvi) *sixteenth*, to credit the Reserve Ledger, until the balance of the Reserve Fund equals the Reserve Fund Required Amount;
- (xvii) *seventeenth*, to retain in the Issuer Transaction Account, an amount as the Issuer's profit equal to one quarter of 0.01 per cent. of the product of the weighted average Mortgage Rate of the Mortgage Loans at the end of the preceding Collection Period and the aggregate principal balance outstanding of the Mortgage Loans at the end of the preceding Collection Period;
- (xviii) *eighteenth*, in or towards *pari passu* and *pro rata* payment of:
 - (A) any Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty together with any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions; and
 - (B) any Cap Provider Default Payment payable to the Cap Provider under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider together with any amounts received by the Issuer from a replacement cap provider in respect of replacement cap transactions;
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* to the respective interest entitlements of the Subordinated Noteholders);
- (xx) *twentieth*, to pay *pari passu* to the holders of the Subordinated Notes in respect of principal due and payable of the Subordinated Notes; and
- (xxi) *twenty-first*, in and towards amounts payable in respect of the R Certificateholders.

(d) ***Pre-Enforcement Principal Priority of Payments***

Prior to the service of an Enforcement Notice by the Trustee, on each Payment Date the Issuer is required to apply the Actual Redemption Funds on such Payment Date determined on the Calculation Date prior to such Payment Date in the following manner and order of priority (the “**Pre-Enforcement Sequential Principal Priority of Payments**”):

- (i) *first*, to credit *pro rata* and *pari passu*:
 - (A) the Further Advances and Retentions Ledger, until the balance standing to the credit of the Further Advances and Retentions Ledger equals the Further Advances and Retentions Minimum Amount; and
 - (B) the Ported Mortgage Loans Ledger, until the balance standing to the credit of the Ported Mortgage Loans Ledger equals the Ported Mortgage Loans Minimum Amount;
- (ii) *second, pari passu* to the holders of the A1 Notes in respect of principal of the A1 Notes until no A1 Notes remain outstanding;
- (iii) *third, pari passu* to the holders of the A2 Notes in respect of principal of the A2 Notes until no A2 Notes remain outstanding;
- (iv) *fourth, pari passu* and *pro rata* to the holders of the A3a Notes in respect of principal of the A3a Notes and the holders of the A3b Notes in respect of principal of the A3b Notes until no A3a or A3b Notes remain outstanding;

- (v) *fifth, pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vi) *sixth, pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;
- (vii) *seventh, pari passu* to the holders of the D Notes in respect of principal of the D Notes until no D Notes remain outstanding; and
- (viii) *eighth, pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding,

provided always that the Actual Redemption Funds shall not be applied in the order set out in the Pre-Enforcement Sequential Principal Priority of Payments above but shall instead be applied first to item (i) then *pro rata* between the A Notes, the B Notes, the C Notes, the D Notes and the E Notes (save that Actual Redemption Funds to be applied in or towards the A Notes shall be applied in the order set out in items (ii) to (iv) of the Pre-Enforcement Sequential Principal Priority of Payments (the “**Pre-Enforcement Pro Rata Principal Priority of Payments**” and, together with the Pre-Enforcement Sequential Principal Priority of Payments, the “**Pre-Enforcement Principal Priority of Payments**” and, together with the Pre-Enforcement Interest Priority of Payments, the “**Pre-Enforcement Priorities of Payment**” and, together with the Post- Enforcement Priority of Payments, the “**Priorities of Payments**” and each a “**Priority of Payments**”) on any such Payment Date immediately following a Calculation Date on which all of the following conditions (the “**Pro Rata Redemption Conditions**”) are met:

- (i) after the previous Payment Date, the result produced by the fraction

$$\frac{(B + C + D + E)}{(A + B + C + D + E)}$$

is greater than or equal to twice the result produced by that fraction as at the Issue Date;

- (ii) all balances on each of the Principal Deficiency Sub-Ledgers are zero;
- (iii) the balance of the Reserve Fund is at the Reserve Fund Required Amount;
- (iv) the Liquidity Drawn Amount is zero; and
- (v) the aggregate balance of all Mortgage Loans in the Mortgage Pool which are 90 days or more in arrears does not exceed 22.5 per cent. of the aggregate balance of all the Mortgage Loans in the Mortgage Pool.

For the purposes of this paragraph, as at any date:

- A = the aggregate Principal Amount Outstanding of the A Notes on such date;
- B = the aggregate Principal Amount Outstanding of the B Notes on such date;
- C = the aggregate Principal Amount Outstanding of the C Notes on such date;
- D = the aggregate Principal Amount Outstanding of the D Notes on such date; and
- E = the aggregate Principal Amount Outstanding of the E Notes on such date.

On any Calculation Date, the aggregate of:

- (a) the amount of Further Advances which the Seller is committed to advancing (but has not yet advanced) as at such date;
- (b) the amount which the Seller anticipates it will require for future (but uncommitted) Further Advances, such amount (in respect of this item (b) only) not to be greater than £100,000 (the “**Further Advances and Retentions Minimum Amount**”); and
- (c) the amount of Retentions which the Seller is committed to release subject to the satisfaction of the relevant conditions,

(such aggregate amount, the “**Committed Further Advances and Retentions**”) will be transferred from the Principal Ledger to a ledger for that purpose (the “**Further Advances and Retentions Ledger**”). The amount of the Committed Further Advances and Retentions will be advised by the Special Servicer to the Cash Manager and the Master Servicer.

Available Capital Funds may be applied or set aside by the Issuer as calculated by the Master Servicer and as advised by the Cash Manager on any day for the making of such Further Advances and/or releasing of such Retentions by the Seller (the beneficial interest of which will be held by the Issuer) after all amounts then standing to the credit of the Further Advances and Retentions Ledger have been utilised.

On any Calculation Date, the aggregate of:

- (a) the aggregate principal amount of Ported Mortgage Loans which the Seller is committed to granting (but has not yet granted) as at such date together with the aggregate amount of related Ported Mortgage Early Repayment Charges which the Seller is committed to refunding (but has not yet refunded) as at such date; and
- (b) the aggregate principal amount which the Seller anticipates it will require for future (but uncommitted) Ported Mortgage Loans together with the aggregate amount of related Ported Mortgage Early Repayment Charges, such amount (in respect of this item (b) only) not to be greater than £100,000 (the “**Ported Mortgage Loans Minimum Amount**”);

(such aggregate amount, the “**Committed Ported Mortgage Loans**”) will be transferred from the Principal Ledger to a ledger for that purpose (the “**Ported Mortgage Loans Ledger**”). The amount of the Committed Ported Mortgage Loans will be advised by the Seller to the Cash Manager and the Master Servicer.

Available Capital Funds may be applied or set aside by the Issuer as calculated by the Master Servicer and as advised by the Cash Manager on any day for the making of such Ported Mortgage Loans by the Seller (the beneficial interest of which will be held by the Issuer) after all amounts then standing to the credit of the Ported Mortgage Loans Ledger have been utilised.

On any Payment Date, Available Redemption Funds will be applied in crediting, on a *pro rata* and *pari passu* basis, the Further Advances and Retentions Ledger (to the extent necessary to replenish and maintain the Further Advances and Retentions Minimum Amount) and the Ported Mortgage Loans Ledger (to the extent necessary to replenish and maintain the Ported Mortgage Loans Minimum Amount) in accordance with item (i) of the relevant Pre-Enforcement Principal Priority of Payments.

The amount of “**Actual Redemption Funds**” as at any Calculation Date is an amount calculated by the Master Servicer as the aggregate of:

- (a) the amount standing to the credit of the Principal Ledger and the amount (if any) standing to the credit of each of the Further Advances and Retentions Ledger and the Ported Mortgage Loans Ledger as at such Calculation Date; and
- (b) the amount (if any) calculated by the Master Servicer on such Calculation Date to be the amount by which the debit balance on any Principal Deficiency Sub-Ledger is expected to be reduced pursuant to the Pre-Enforcement Interest Priority of Payments by the application of Available Revenue Funds on the immediately succeeding Payment Date;

less

- (c) the Committed Further Advances and Retentions calculated on such Calculation Date; and
- (d) the Committed Ported Mortgage Loans calculated on such Calculation Date.

For the purpose of the foregoing:

“**Available Capital Funds**” means, on any day during an Interest Period (including on a Calculation Date), an amount represented by the amount standing to the credit of the Principal Ledger at the close of business on the preceding day, less, in the period between the Calculation Date and the application of Actual Redemption Funds on the related Payment Date, the amount of such Actual Redemption Funds calculated on the relevant Calculation Date.

Actual Redemption Funds will, to the extent sufficient, be used by the Cash Manager to redeem the Notes in accordance with the relevant Pre-Enforcement Principal Priority of Payments.

Under the terms of the CIFG Note Guarantee, CIFG does not guarantee any amounts payable by the Issuer upon mandatory redemption of the A3b Notes pursuant to Conditions 5(b), (d), (e) or 9.

(e) ***Post-Enforcement Priority of Payments***

After service of an Enforcement Notice by the Trustee, the Trustee shall apply all funds received by or on behalf of the Issuer and from the proceeds of enforcement of the Security (excluding amounts in

respect of Mortgage Early Repayment Charges) to make payments in the following order of priority (the “**Post-Enforcement Priority of Payments**” and together with the Pre-Enforcement Priorities of Payments, the “**Priorities of Payments**”) pursuant to, in accordance with and as set out in the Issuer Security Deed:

- (i) *first*, to pay, *pro rata* and *pari passu*, any remuneration then due to any liquidator or 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 liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus value added tax, if any) in acting pursuant to the Trust Deed and the Issuer Security Deed;
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, interest, expenses and liabilities due to the Servicer under the Servicing Agreements, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicing and Account Bank Agreement, the Special Servicer under the Special Servicer Agreements, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iii) *third*, in payment in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) *fourth*, *pro rata* and *pari passu* in payment in or towards amounts due and payable to:
 - (a) the Swap Counterparty pursuant to the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of a replacement swap transaction, if any, (except for any relevant Swap Counterparty Default Payment); and
 - (b) the Cap Provider pursuant to the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction, if any, (except for any relevant Cap Provider Default Payment);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (b) *pari passu* to the holders of the A Notes in respect of principal of the A Notes until no A Notes remain outstanding; and
 - (c) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vi) *sixth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders); and
 - (b) *pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders); and
 - (b) *pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;

- (viii) *eighth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders); and
 - (b) *pari passu* to the holders of the D Notes in respect of principal payable in respect of the D Notes until no D Notes remain outstanding;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders); and
 - (b) *pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding;
- (x) *tenth*, *pro rata* and *pari passu* in or towards payment of:
 - (a) any Swap Counterparty Default Payment to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap transaction, if any, payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement; and
 - (b) any Cap Provider Default Payment to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap transaction, if any, payable to the Cap Provider under the terms of the Interest Rate Cap Agreement;
- (xi) *eleventh*, *pari passu* to the holders of the MERCs to pay amounts payable in respect of the MERCs;
- (xii) *twelfth*, to pay *pari passu* and *pro rata*:
 - (a) amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Subordinated Noteholders); and
 - (b) *pari passu* to the holders of the Subordinated Notes in respect of principal of the Subordinated Notes; and
- (xiii) *thirteenth*, *pari passu* to the holders of the R Certificates to pay amounts payable in respect of the R Certificates.

The Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are 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 liability of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes.

(f) ***CIFG Note Guarantee***

The A3b Notes have the benefit of the CIFG Note Guarantee which has been issued pursuant to the Guarantee and Reimbursement Agreement under which CIFG has unconditionally and irrevocably agreed to pay to the Trustee, or to the Trustee's order, for the benefit of holders of the A3b Notes, subject

to the paragraphs below and the CIFG Note Guarantee, all sums due and payable but unpaid by the Issuer in respect of A3b Interest or A3b Ultimate Principal, all as more particularly described in the CIFG Note Guarantee.

The CIFG Note Guarantee is an unconditional and irrevocable financial guarantee in respect of the following amounts:

- (i) scheduled interest payable in respect of the A3b Notes on each Payment Date in accordance with Condition 4 (excluding any default interest and any amounts which the Issuer is obliged to deduct or withhold pursuant to Condition 8); and
- (ii) ultimate principal payable in respect of the A3b Notes on the Final Payment Date in accordance with the first sentence of Condition 5(a).

Amounts described under (i) above are referred to as “**A3b Interest**”. Amounts described in (ii) above are referred to as “**A3b Ultimate Principal**” (and together with the A3b Interest, the “**Regular Payments**”).

The CIFG Note Guarantee will not guarantee any amounts becoming payable for any other reason, including, without limitation, the mandatory redemption in part of the A3b Notes pursuant to Condition 5(b), early redemption in full of the A3b Notes pursuant to Conditions 5(d) or 5(e) or accelerated payment pursuant to Condition 9. If payment is accelerated, CIFG’s obligations will not change and will continue to be to pay the Regular Payments as they fall due for payment in accordance with the terms of the CIFG Note Guarantee on each Payment Date or, on the Final Payment Date, in the case of A3b Ultimate Principal. CIFG will not be obliged under any circumstances to accelerate payment under the CIFG Note Guarantee. However, save that, if it does so, it may do so in whole or in part in accordance with the CIFG Note Guarantee, as described in Condition 5(j).

The CIFG Note Guarantee provided by CIFG in respect of the A3b Notes constitutes a direct unsecured obligation of CIFG which will rank at least *pari passu* with all other unsecured obligations of CIFG.

Condition 3: Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any Notes remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) **Negative Pledge**

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) **Restrictions on Activities**

- (i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) open any account whatsoever with any 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 if so charged, the Issuer will obtain confirmation from such bank or financial institution that it will not exercise any right of set-off against the Issuer;
- (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 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 any 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 IX of Part X of the Income and Corporation Taxes Act 1988.

(h) ***Other***

permit any of the Transaction Documents, the insurance contracts relating to the Mortgage Loans owned by the Issuer or the priority of the security interest 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, or permit any party to any of the Transaction Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Noteholders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

Condition 4: Interest

(a) ***Period of Accrual***

Each Note of each class bears interest from (and including) the 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 (after as well as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholders, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent or the Trustee to the holder thereof (in accordance with Condition 15) that it has received all sums due in respect of such Notes (except to the extent that there is any subsequent default in payment). Any interest shortfall shall accrue interest during each Interest Period during which it remains outstanding in accordance with Condition 4(f). Whenever it is necessary to compute an amount of interest in respect of any Notes for any period (including an Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

(b) ***Payment Dates and Interest Periods***

Subject to Condition 6, interest on the Notes is payable in arrear on 21 August 2006, and thereafter quarterly in arrear on the 21st day in November, February, May and August in each year, unless such day is not a Business Day, in which case interest shall be payable on the following day which is a Business Day (each such date, a “**Payment Date**”). “**Business Day**” (other than for the purposes of Condition 6) means a day (other than Saturday or Sunday) on which banks are open for business in London and Paris. The period from (and including) a Payment Date (or the Issue Date) to (but excluding) the next (or first) 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) for the purpose of determining the London Interbank Offered Rate (“**LIBOR**”) for three month sterling deposits (or, in respect of the first Interest Period, an annual rate obtained by

linear interpolation of LIBOR for 2 month sterling deposits and LIBOR for 3 month sterling deposits) (“**Note LIBOR**”), on each Payment Date, or in respect of the first Interest Period, on the Issue Date (each an “**Interest Determination Date**”), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits (or in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for two month sterling deposits and LIBOR for three month sterling deposits) 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 Telerate Screen Page No. 3750) as at or about 11.00 am (London time) on that date (the “**Sterling Screen Rate**”). Note LIBOR in relation to the Notes for such Interest Period shall be the Sterling Screen Rate;

- (ii) if the Sterling Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (i) below) to provide the Agent Bank with its offered quotation as at or about 11.00 am (London time) on that date to leading banks for the applicable currency deposits for a period of three months (or in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for two month and three month applicable currency deposits respectively). The applicable Note LIBOR for such Interest Period shall, subject as provided below, be 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) if, on the relevant Interest Determination Date, the Sterling Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the applicable Note LIBOR for the relevant Interest Period shall be determined (in accordance with (c)(i) above) on the basis of the quotations of the two quoting Reference Banks;
- (iv) if, on the relevant Interest Determination Date, the Sterling Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the applicable Note LIBOR for the relevant Interest Period shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be either (A) the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 am (London time) on the relevant Interest Determination Date, 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 means, the average of the applicable currency lending rates 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 Note LIBOR in effect for the Interest Period ending on the relevant Interest Determination Date; and
- (v) the Rate of Interest for any Interest Period will be equal to the Relevant Margin (as defined below) above Note LIBOR (as determined in the manner provided above).

“**Relevant Margin**” for the A1 Notes shall be 0.09 per cent. per annum; for the A2 Notes shall be 0.13 per cent. per annum; for the A3a Notes shall be 0.17 per cent. per annum; for the A3b Notes shall be 0.14 per cent. per annum; for the B Notes shall be 0.27 per cent. per annum; for the C Notes shall be 0.48 per cent. per annum; for the D Notes shall be 0.95 per cent. per annum; and for the E Notes shall be 3.25 per cent. per annum;

(d) ***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 Cash Manager, the Master Servicer, the Trustee, the Principal Paying Agent of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of each Note and (ii) the amount of interest (the “**Interest Amount**”) payable in respect of such Interest

Period in respect of each Note. The Interest Amount will be calculated by applying the Rate of Interest in respect of each Note multiplied by the Principal Amount Outstanding of such Note and then multiplied by the actual number of days elapsed in the Interest Period and divided by 365 (or 366, where the last day of such period falls in a leap year) rounded to the nearest penny with half a penny being rounded upwards.

(e) ***Publication of Rate of Interest, Interest Amount***

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 Payment Date to be notified to each stock exchange (if any) on which notice is to be given in accordance with Condition 13. The Interest Amount and 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. Reports produced by the Master Servicer as required by the Cash Management, Master Servicing and Account Bank Agreement will be posted by the Master Servicer on its website currently located at www.ctslink.com.

(f) ***Deferral of Interest***

Interest on the Notes shall be payable in accordance with this Condition 4 and Condition 6 subject to the terms of this paragraph (f):

- (i) in the event that the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Interest Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(f), due on each class of Notes junior to the Most Senior Class of Notes outstanding on such Payment Date (such aggregate available funds being referred to in this Condition 4(f) as the “**Junior Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(f), due on each class of Note junior to the Most Senior Class of Notes outstanding on such Payment Date, there shall be payable on such Payment Date, by way of interest on each such junior Note, a *pro rata* share of the Junior Residual Amount available to the relevant class of junior Notes; and
- (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of such Junior 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 each class of Notes junior to the Most Senior Class of Notes outstanding on any Payment Date in accordance with this Condition 4(f) falls short of the aggregate amount of interest payable on the relevant class of junior Notes on that date pursuant to the other provisions of this Condition 4. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable Note LIBOR plus the Relevant Margin for the relevant class of junior Notes for such Interest Period, as applicable. A *pro rata* share of such shortfall plus any interest accrued 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(f), on each class of Notes junior to the Most Senior Class of Notes outstanding on the next succeeding Payment Date. This provision shall cease to apply on the Payment Date referred to in Condition 5(a) at which time all accrued interest shall become due and payable.
- (iii) Payments of interest or any other amounts due on the Most Senior Class of Notes are not deferrable.

(g) ***Determination and/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 (d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) ***Notifications to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or

any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Trustee or the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(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 an Agent Bank. The initial Agent Bank shall be HSBC Bank plc. 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. The reference banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank Plc and HSBC Bank plc or any other three major banks engaged in the London interbank market as may be selected by the Agent Bank (each a “**Reference Bank**”).

(j) ***Issuer Undertaking to Maintain EU Paying Agent Not Obligated to Withhold or Deduct Tax***

The Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Condition 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 Notes at their Principal Amount Outstanding on the Payment Date falling on November 2037 (the “**Final Payment Date**”).

The Issuer may not redeem Notes in whole or in part prior to the Final Payment Date except as provided in this Condition 5 but without prejudice to Condition 9.

(b) ***Mandatory Redemption in Part***

On each Payment Date, other than the Payment Date on which the Notes are to be redeemed under paragraphs (a) above or (d) or (e) below, when the Pro Rata Redemption Conditions are not satisfied, the Issuer shall make redemptions in part of the Notes in accordance with the Pre-Enforcement Sequential Principal Priority of Payments and, when the Pro Rata Redemption Conditions are satisfied, the Issuer shall make redemptions of the Notes in part in accordance with the Pre-Enforcement Pro rata Principal Priority of Payments.

Under the terms of the CIFG Note Guarantee, CIFG does not guarantee any amounts payable by the Issuer upon mandatory redemption of the A3b Notes pursuant to Condition 5(b).

(c) ***Note Principal Payments, Principal Amount Outstanding and Pool Factor***

The principal amount redeemable in respect of each Note of each class (the “**Note Principal Payment**”) on any Payment Date under paragraph (b) above shall be the amount of the Actual Redemption Funds on the Calculation Date immediately preceding that Payment Date to be applied in redemption of the Notes of that class multiplied by the denomination of such Notes and divided by the aggregate Principal Amount Outstanding of the Notes of that class on the relevant Payment Date (rounded down to the nearest pound); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of each Note comprised in the relevant class of Notes. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Master Servicer to determine) (i) the amount of any Note Principal Payment due on the Payment Date next following such Calculation Date, (ii) the principal amount outstanding of each such Note on the Payment Date next following such Calculation Date (after deducting any Note Principal Payment due to be made on that Payment Date such deduction not to be made for the purposes of future calculations with regard to Conditions 4, 5, 9 and 10 if the Note Principal Payment which has become due has not been paid) (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 the Notes of that class (as referred to in (ii) above) and the denominator is the denomination of the Notes. Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of any Note and the Pool Factor shall in each case (in the absence of negligence, 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 to be notified in writing forthwith to the Trustee, the Swap Counterparty, 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 13 by not later than two Business Days prior to the relevant Payment Date. If no Note Principal Payment is due to be made on the Notes on any Payment Date a notice to this effect will be given to the Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine) with respect to each of the classes of Notes, a Note Principal Payment, the Principal Amount Outstanding or the 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.

(d) ***Optional Redemption***

On or following the Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Issue Date, the Issuer may (and shall, if directed on any date after such Payment Date by the holders of a majority of the then Principal Amount Outstanding of the Subordinated Notes) give not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 13 to redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued and unpaid interest, provided that prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid and to pay or make provision for all amounts ranking in priority thereto.

Under the terms of the CIFG Note Guarantee, CIFG does not guarantee any amounts payable by the Issuer upon an early redemption of the A3b Notes pursuant to Condition 5(d).

(e) ***Optional Redemption for Tax Reasons***

If the Issuer at any time immediately prior to the giving of the notice referred to below satisfies the Trustee that (i) on the next Payment Date the Issuer or any Paying Agent would be required by reason of a change in law, or the interpretation, application or administration thereof, to deduct or withhold from any payment of principal or interest on (1) the Notes other than in respect of default interest or (2) if the Issuer is unable to enter into a replacement interest rate swap in respect of which payments are not subject to withholding or deduction, the Interest Rate Swap Agreement or (3) if the Issuer is unable to enter into a replacement interest rate cap agreement in respect of which payments are not subject to withholding or deduction, the Interest Rate Cap Agreement, 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 Issuer is no longer entitled to relief for tax purposes on payments under the Interest Rate Swap Agreement and/or the Interest Rate Cap Agreement and the Issuer is unable to enter into a replacement interest rate swap agreement or, as the case may be, the Issuer is unable to enter into a replacement interest rate cap agreement and, in either case, would, as a result, be subject to an increased liability to taxation for any accounting period; or (iii) the total amount payable in respect of interest in relation to any of the Mortgage Loans during an Interest Period ceases or would cease to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, or where the Issuer is treated as receiving amounts in relation to interest on the Mortgage Loans which are not in fact received) by the Issuer during such Interest Period, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 13, redeem on any Payment Date all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued and unpaid interest, provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other

person, required to redeem all the Notes and pay all amounts ranking in priority thereto as aforesaid and (b) if appropriate, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant change in tax law (or interpretation, application or administration thereof). Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Noteholders.

The term “**Optional Redemption**” shall refer to redemption of the Notes under any of the foregoing circumstances or procedures referred to in paragraph (d) or (e) above.

Under the terms of the CIFG Note Guarantee, amounts payable by the Issuer on the occurrence of any Optional Redemption will not be guaranteed by CIFG.

(f) ***Notice of Redemption***

Any such notice as is referred to in paragraph (d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their Principal Amount Outstanding (where applicable).

(g) ***Purchase***

The Issuer shall not purchase any Notes.

(h) ***Cancellation***

All Notes redeemed in full pursuant to paragraphs (a), (b), (d) or (e) above will be cancelled upon redemption and may not be resold or re-issued.

(i) ***Post-Enforcement Call Option***

All of the B Noteholders and/or the C Noteholders and/or the D Noteholders and/or the E Noteholders and/or the Subordinated Noteholders will, at the request of Option Co, sell all (but not some only) of their holdings of the B Notes and/or the C Notes and/or the D Notes and/or the E Notes and/or the Subordinated Notes, as the case may be, to Option Co as the holder of the option granted to it by the Trustee to acquire all (but not some only) of the B Notes and/or the C Notes and/or the D Notes and/or the E Notes (plus accrued interest thereon), for the consideration of one penny per B Note, one penny per C Note, one penny per D Note and one penny per E Note outstanding in the event that the Security is enforced, at any time after the date on which the Trustee is advised (by the Cash Manager or otherwise) that the proceeds of such enforcement are insufficient or likely to be insufficient, after payment of all other claims ranking in priority to the B Notes and/or the C Notes and/or the D Notes and/or the E Notes and/or the Subordinated Notes and after the application of any such proceeds to the B Notes, C Notes, D Notes and/or the E Notes under the Issuer Security Deed, to pay any further principal and interest and any other amounts whatsoever due in respect of the B Notes, C Notes, D Notes and/or the E Notes and/or the Subordinated Notes.

Furthermore, each of the Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders (except the A Noteholders) and the Subordinated Noteholders in accordance with the terms and conditions of the Post-Enforcement Call Option Deed and each Noteholder, by subscribing for or purchasing the relevant Notes(s), agrees to be so bound.

(j) ***Payments by CIFG on Early Redemption***

Upon any optional or mandatory early redemption of any class of Notes, CIFG’s obligations under the CIFG Note Guarantee will not change and will continue to be to pay the Regular Payments as they fall due for payment in accordance with the terms of the CIFG Note Guarantee. CIFG will not be obliged under any circumstances to accelerate payment under the CIFG Note Guarantee but may do so in its sole discretion. However, save that, where the A3b Notes become repayable prior to their scheduled maturity, it may accelerate payment under the CIFG Note Guarantee, in whole or in part, and the amount payable will be the Principal Amount Outstanding of the A3b Notes after subtracting the funds available from the Issuer from such Principal Amount Outstanding of the A3b Notes, together with accrued interest. Any amounts due in excess of such Principal Amount Outstanding of the A3b Notes and accrued interest will not be guaranteed by CIFG under the CIFG Note Guarantee.

Condition 6: Payments

- (a) Payments of principal shall be made only against:
- (i) (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and
 - (ii) in respect of any Note Principal Payment which becomes due on a Payment Date, presentation and (in the case of payment in full) surrender of the appropriate Receipts,
- at the Specified Office of any Paying Agent, prior to the Redenomination Date, by cheque drawn in Sterling, or by transfer to an account in Sterling maintained by the payee with a bank in London or, after the Redenomination Date, by cheque drawn in euro or by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET system.
- (b) Payments of interest shall, subject to Condition 6(f), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent in the manner described in Condition 6(a).
- (c) All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) On the due date for final redemption of any Note pursuant to Condition 5(a) or early redemption of such Note pursuant to Condition 5(b), Condition 5(d), Condition 5(e) or Condition 9, all unmatured Receipts relating thereto (whether or not still attached) shall become void any scheduled interest payments will be cancelled and no payment will be made in respect thereof.
- (e) On the due date for final redemption of any Note pursuant to Condition 5(b) or early redemption of such Note pursuant to Condition 5(d), Condition 5(e) or Condition 9, all unmatured Coupons relating thereto (whether or not still attached) shall become void, any scheduled payments of interest will be cancelled and no payment will be made in respect thereof.
- (f) If any Note, Receipt or Coupon is presented for payment on a day which is not a business day in the place of presentation, payment shall not be made on such day but on the next succeeding business day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Note, Receipt or Coupon.
- (g) In this Condition 6, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to an account in Sterling, or after the Redenomination Date, in euro, as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation or, after the Redenomination Date, on which the TARGET system is open.
- (h) Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent.
- (i) If a Paying Agent makes a partial payment in respect of any Note, Receipt or Coupon presented to it for payment, such Paying Agent will endorse on such Note, Receipt or Coupon a statement indicating the amount and date of such payment.
- (j) On or after the Payment Date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 7). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
- (k) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them), the Paying Agents, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Noteholders and Couponholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee, the Noteholders or the Couponholders shall attach to the Reference Banks, the Agents, or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 6.

Condition 7: Prescription

Claims for principal and interest shall become void unless presented for payment of principal within a period of 10 years from the Relevant Date in respect thereof and five years in respect of payment of interest. 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 is duly given to the Noteholders in accordance with Condition 13.

Condition 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, assessment 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, assessment 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 Principal Paying Agent, any other Paying Agent, the Seller, the Issuer, CIFG nor any other person will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

Condition 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. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes, or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Most Senior Class of Notes (subject to the Trustee being indemnified and/or secured to its satisfaction), the Trustee shall give notice (an “**Enforcement Notice**”) to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each an “**Event of Default**”):
- (i) default being made for a period of five Business Days in the payment of the principal of or any interest on any Notes 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(f) 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 or the Servicer failing duly to perform or observe any obligation binding on it under the relevant Servicing Agreement or the Issuer Security Deed 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 or the relevant Servicer (as the case may require) of notice requiring the same to be remedied; or
 - (iii) the Issuer, other than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (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 within the meaning of Section 123(2) of the Insolvency Act 1986 (as amended); 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 Most Senior Class of 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 for the appointment of an administrator or liquidator) and such proceedings are 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-paragraphs (ii), (iii) or (v) to this paragraph (a), the Trustee has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders or the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes has directed the Trustee to certify that such event is materially prejudicial to their interests, provided that in such event the Trustee shall have no liability to any Noteholder or any other person in respect of such direction.

- (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.
- (c) So long as any part of the Notes remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to the Trustee, the Swap Counterparty, the Liquidity Facility Provider and the Cap Provider.
- (d) So long as any part of the A3b Notes remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to CIFG.
- (e) The terms of the CIFG Note Guarantee provide that payments on the A3b Notes which have become immediately due and payable pursuant to this Condition 9 will not be treated as Regular Payments which are due for payment unless CIFG in its sole discretion elects to do so by giving written notice to the Trustee. If no such election is made, CIFG will continue to be liable to make payments in respect of the A3b Notes pursuant to the CIFG Note Guarantee on the dates on which such payments would have been required to be made as if the A3b Notes had not become immediately due and payable.

Condition 10: Enforcement of Notes

At any time after the Notes have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the Notes, together with accrued interest and/or to enforce the Security. The Trustee shall not be bound to take any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes and (y) it shall have been indemnified and/or secured to its satisfaction. No Noteholder, Couponholder, Receiptholder nor CIFG may take any action against the Issuer to enforce its rights in respect of the Notes or to enforce all or any of the security constituted by the Issuer Security Deed otherwise than through the Trustee unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing or, having been requested to do so by the holders at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes, fails to reach agreement within a reasonable period with such class regarding its indemnification, provided that in such event the Trustee shall have no liability to any Noteholder or any other person in respect of the actions of such other persons.

Condition 11: Meetings of Noteholders, Modifications, Consents and Waiver

The Trust Deed contains provisions for convening meetings of A1 Noteholders, A2 Noteholders, A3 Noteholders, B Noteholders, C Noteholders, D Noteholders and E 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 Transaction 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 or any alteration of

the priority 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 Trust Deed.

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 then outstanding, 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 then outstanding, 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 in the aggregate 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 then outstanding provided that any meeting or any adjourned meeting which is convened in respect of the Notes and which CIFG (or CIFG in the place of A3b Noteholders) is entitled to attend shall not be quorate unless CIFG is present. 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 five 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 then outstanding so held provided that any meeting or any adjourned meeting which is convened in respect of the Notes and which CIFG (or CIFG in the place of A3b Noteholders) is entitled to attend shall not be quorate unless CIFG is present.

For so long as the Notes of any class are held by one party, such party and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Noteholders.

An Extraordinary Resolution of the A1 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 A2 Noteholders and/or the A3a Noteholders and/or the A3b Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A2 Noteholders and the A3 Noteholders (for the avoidance of doubt without prejudice to the rights of the requisite percentage of the Most Senior Class of Notes to direct the Trustee under Condition 9 or Condition 10). An Extraordinary Resolution of the A2 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 A1 Noteholders and/or the A3a Noteholders and/or the A3b Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders, and the A3 Noteholders (for the avoidance of doubt without prejudice to the rights of the requisite percentage of the Most Senior Class to direct the Trustee under Condition 9 or Condition 10). An Extraordinary Resolution of the A3a 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 A1 Noteholders and/or the A2 Noteholders and/or the A3b Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders, the A2 Noteholders and/or the A3b Noteholders (for the avoidance of doubt without prejudice to the rights of the requisite percentage of the Most Senior Class of Notes to direct the Trustee under Condition 9 or Condition 10). An Extraordinary Resolution of the A3b 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 A1 Noteholders and/or the A2 Noteholders and/or the A3a Noteholders or it is sanctioned by an Extraordinary Resolution of each of the A1 Noteholders, the A2 Noteholders and the A3a Noteholders (for the avoidance of doubt without prejudice to the rights of the requisite percentage of the Most Senior Class of Notes to direct the Trustee under Condition 9 or Condition 10).

An Extraordinary Resolution of the B 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 each of the A1 Noteholders, the A2 Noteholders and the A3 Noteholders. Other than in respect of Basic Terms Modifications, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders and the Instrumentholders, 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 and the B Noteholders or it is sanctioned by an Extraordinary Resolution of the A1 Noteholders, the

A2 Noteholders, the A3 Noteholders and the B Noteholders. Other than in respect of Basic Terms Modifications, 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, the D Noteholders, the E Noteholders and the Instrumentholders, irrespective of the effect on their interests.

An Extraordinary Resolution of the D 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 B Noteholders or the C Noteholders or it is sanctioned by an Extraordinary Resolution of the A1 Noteholders, the A2 Noteholders, the A3 Noteholders, the B Noteholders and the C Noteholders. Other than in respect of Basic Terms Modifications, the Trust Deed imposes no such limitations on the powers of the C Noteholders, the exercise of which will be binding on the D Noteholders, the E Noteholders and the Instrumentholders irrespective of their interests.

An Extraordinary Resolution of the E 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 B Noteholders, the C Noteholders or the D Noteholders or it is sanctioned by an Extraordinary Resolution of the A1 Noteholders, the A2 Noteholders, the A3 Noteholders, the B Noteholders, the C Noteholders and the D Noteholders. Other than in respect of Basic Terms Modifications, the Trust Deed imposes no such limitations on the powers of the D Noteholders, the exercise of which will be binding on the E Noteholders and the Instrumentholders, irrespective of their interests.

Any resolution or direction of any class of Noteholders or Instrumentholders that would have the effect of modifying or waiving any provision of any of the Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Instrumentholders (such right of each class of Instrumentholders, the “**Instrumentholder Entrenched Rights**”).

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.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the Noteholders 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 of such class (including these Conditions) or any of the Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders of such class or (b) to any modification of the Notes of such class (including these Conditions) or any of the Transaction 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, the Trustee may also, without the consent of the Noteholders 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, subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or any such waiver or authorisation of any such breach or proposed breach of the Notes (including the Conditions) or any of the Transaction Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 or 10). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each such class and, unless the Trustee agrees otherwise, any such modification shall be notified to such Noteholders and CIFG in accordance with Condition 13 as soon as practicable thereafter.

The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of any Noteholders if the Rating Agencies have confirmed that the current ratings of the relevant Notes (including, in the case of the A3b Notes, the Uninsured Ratings) would not be adversely affected by such exercise and the Trustee shall, for such purposes, disregard the CIFG Note Guarantee when considering the interests of the A3b Noteholders.

So long as no CIFG Event of Default has occurred and is continuing (and, following a CIFG Event of Default, to the extent that CIFG is assignee and subrogee of the rights of the A3b Noteholders), the A3b Noteholders hereby instruct CIFG to give requests and directions (including, without limitation, a request or direction to accelerate or enforce the Notes subject to and in accordance with the provisions of Conditions 9 and 10) to the Trustee and vote at or attend meetings of Noteholders in CIFG’s absolute discretion. For so long as such circumstances subsist, for the foregoing and for the purposes of determining whether or not any meeting of Noteholders is quorate and counting votes cast at any such

meeting of Noteholders, CIFG shall, pursuant to such instruction, be counted as and entitled to act as if it were the holder of all of the then aggregate Principal Amount Outstanding of the A3b Notes and the A3b Noteholders shall not be entitled to revoke such instruction and, accordingly, shall not be entitled to request or direct the Trustee or vote at or attend meetings provided that in such event the Trustee shall have no liability to any Noteholder or any person in respect of any action of CIFG in relation to this and the following paragraph.

So long as no CIFG Event of Default has occurred and is continuing, or following a CIFG Event of Default, to the extent that CIFG is assignee and subrogee of the rights of the A3b Noteholders, if a single meeting of all the A Noteholders has been convened CIFG may attend and vote at such meeting of the A Noteholders in respect of 100 per cent. of the then aggregate Principal Amount Outstanding of the A3b Notes or, not less than 5 Business Days prior to such meeting, give written instructions to the Trustee of its vote to be counted at such meeting.

“**CIFG Event of Default**” means:

- (i) any A3b Interest or A3b Ultimate Principal which is due for payment is unpaid by reason of non-payment and is not paid by CIFG on the date stipulated for payment by CIFG in the CIFG Note Guarantee;
- (ii) CIFG takes formal steps to disclaim, disaffirm, repudiate and/or challenge the validity of any of its obligations under the CIFG Note Guarantee;
- (iii) a court of competent jurisdiction enters a final and non-appealable order, judgment or decree for the winding-up, or the appointment of an administrator or receiver (including an administrative receiver or manager) of CIFG (or, as the case may be, of a material part of its property or assets); or
- (iv) CIFG institutes a proceeding seeking a judgment of insolvency or bankruptcy.

Condition 12: Indemnification and Exoneration of the Trustee

- (a) 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 (including making any claim pursuant to the CIFG Note Guarantee) unless indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and 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 Servicer or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.
- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- (d) The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 13.

Condition 13: Notice to Noteholders

Any notice to the Noteholders shall be validly given if either 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 Dublin or published on the Relevant Screen. Any such notice shall be deemed to have been given to the Noteholders 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. Any notice to the Trustee or to the Noteholders shall also be given to CIFG at the same time.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any class of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

The Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 13.

Condition 14: Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

Condition 15: Non Petition

The Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed):

- (a) to direct the Trustee to enforce the Security other than when expressly permitted to do so under Condition 10; or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Priorities of Payments not being observed.

Condition 16: Rights of Third Parties

No rights are conferred on any third person (except the Noteholders and CIFG) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

Condition 17: European Economic and Monetary Union

- (a) The Issuer may, without the consent of the Noteholders on giving at least 30 days' prior notice to the Trustee and the Paying Agents designate a date (the "**Redenomination Date**"), being a Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
 - (i) the Notes currently denominated in sterling shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Note equal to the Principal Amount Outstanding of that Note in sterling converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into

euro 0.01 of securities denominated in sterling 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, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;

- (ii) if the Notes have been issued in definitive form:
 - (A) the payment obligations contained in all 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 17), shall remain in full force and effect; and
 - (B) new Notes denominated in euro will be issued in exchange for Notes 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 Notes denominated in euro (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 Participating Member State; and
 - (iv) a Note may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 17, “**business day**” means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of Notes pursuant to this Condition 17:
- (i) where such Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the principal amount then outstanding of the Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
 - (ii) the amount of interest payable in respect of each such Note on each Payment Date shall be calculated by applying the Rate of Interest to the principal amount then outstanding of such Notes, dividing the product by four and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment.
- (d) In this Condition 17:

“**EMU**” means European Economic and Monetary Union;

“**euro**” means the single currency introduced on 1 January 1999 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 has adopted the euro as its lawful currency in accordance with the Treaty; and the “**Treaty**” means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

Condition 18: Disclaimer of liability and assignment of Rights to CIFG

- (a) The holders of the A3b Notes hereby assign their rights under the A3b Notes including, but not limited to, their rights to claim payment from the Issuer of amounts due in respect of which payment in respect of A3b Interest and/or A3b Ultimate Principal has been made under the CIFG Note Guarantee to CIFG, or such other person specified by CIFG to the Trustee from time to time on or prior to payment by CIFG under the CIFG Note Guarantee (the “**Nominee**”) to take place automatically upon and to the extent of receipt of such payments by the holders of the A3b Notes.

- (b) The Trustee is hereby authorised and instructed by the holders of the A3b Notes to do such acts as may be necessary to effectuate the assignment contained in this Condition 18, and without liability to such holders or any other person, to assign to CIFG or the Nominee on behalf of the relevant holders of all rights of such holder to claim payment from the Issuer in respect of the amounts due under the A3b Notes and in respect of which payment has been made under the CIFG Note Guarantee.
- (c) To the extent permitted under applicable law:
 - (i) CIFG will have no liability or responsibility whatsoever under any circumstances for any loss, liability or expense howsoever arising incurred by any person (other than to the Trustee as provided in the following sentence), including but not limited to any Noteholder as a result of or in connection with the exercise by CIFG of its rights in accordance with these Conditions or the Transaction Documents. For the avoidance of doubt, this is without prejudice to the Trustee's rights or to CIFG's liability to the Trustee under the Transaction Documents.
 - (ii) No person including but not limited to any Noteholder (other than the Trustee, the Issuer or the A3b Noteholders, only in circumstances expressly contemplated by the Transaction Documents) shall be entitled to take any steps or action against or initiate any proceedings in relation to CIFG for the purpose of obtaining any amount due to such person under the Conditions or the Transaction Documents or otherwise or for the purpose of recovering any amount in compensation for any loss or damage suffered by such person or any other person.

Condition 19: Governing Law

The Transaction Documents, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

TERMS AND CONDITIONS OF THE MERCs

The following is the text of the MERC Conditions which (subject to amendment and completion) will be endorsed on or attached to each Global MERC and each Definitive MERC (if and to the extent applicable) and (subject to the provisions thereof) will apply to each such MERC.

The Mortgage Early Repayment Certificates (“**MERCs**”) of Alba 2006 — 1 plc (the “**Issuer**”), are constituted by a trust deed (the “**Trust Deed**”) to be dated on or prior to 16 June 2006 (or such other later date as may be agreed between the Issuer, the Trustee and the Lead Manager) (the “**Issue Date**”) between the Issuer, CIFG and HSBC Trustee (C.I.) 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 MERCs will have the benefit of (to the extent applicable) a paying agency agreement (the “**Paying Agency Agreement**”) dated on or prior to the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”), as agent bank (the “**Agent Bank**”), as transfer agent (the “**Transfer Agent**”) and as registrar (the “**Registrar**”), HSBC Institutional Trust Services (Ireland) Limited as Irish paying agent (the “**Irish Paying Agent**”) and together with the Principal Paying Agent, the “**Paying Agents**”).

In these conditions (the “**MERC Conditions**”), all references to “**Registrar**” and “**Paying Agent**” shall mean any registrar or paying agent appointed from time to time in accordance with the Paying Agency Agreement 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 herein, have the same meanings as those given in the incorporated terms memorandum (the “**Incorporated Terms Memorandum**”) dated the 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 following agreements, dated on or prior to the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the MERCs), the Paying Agency Agreement and a security deed between, *inter alios*, the Issuer and the Trustee (the “**Issuer Security Deed**”). Copies of the Trust Deed, the Paying Agency Agreement, the Issuer Security Deed and the other Transaction Documents are available for inspection during usual business hours 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 and the Issuer Security Deed. The Issuer may not purchase any MERCs.

If MERCs in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each MERC would be as set out below. While the MERCs remain in global form, the same terms and conditions govern such MERCs, except to the extent that they are appropriate only to MERCs in definitive form.

Condition 1: Form and Title

MERCs will be represented by a global certificate in registered form (a “**Global MERC**”).

If MERCs in definitive form are issued pursuant to MERC Condition 13 a definitive certificate in respect of each MERC represented by the Global MERC (the “**Definitive MERCs**”) will be issued in registered form and serially numbered.

Title to the Global MERCs and Definitive MERCs will pass upon registration in the register (the “**Register**”) which the Issuer shall procure to be kept by the Registrar. Registered holders of the Global MERCs or Definitive MERCs 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.

For so long as the MERCs are represented by Global MERCs, the Issuer and the Trustee may (but shall not be obliged to) (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of the

particular number of MERCs (each, an “**Accountholder**”) as the holder of such number of MERCs (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the MERC Holders), other than for the purposes of making payments on such Global MERCs, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the relevant Global MERC in accordance with and subject to the terms of the Trust Deed.

Transfers and exchanges of beneficial interests in the Global MERCs will be effected subject to and in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as appropriate.

On the Issue Date, HSBC Bank plc will be appointed custodian (the “**Custodian**”) of all the Global MERCs and, accordingly, the Custodian will, for so long as the MERCs remain outstanding, be and shall remain the sole MERC Holder and a person who is entitled to be paid MERC Holder Payments without withholding or deduction for or on account of the United Kingdom withholding tax. The Custodian will act as agent of, and custodian for, investors (each, a “**MERC Investor**”) from time to time in the MERCs. It shall be a condition of the ownership of any MERC that the initial MERC Investor or MERC Investors and any subsequent MERC Investor in the MERCs from time to time accedes to the agreement (the “**Custodian Agreement**”) pursuant to which the Custodian agrees to hold the MERCs on behalf of the MERC Investor or MERC Investors. The Custodian will be entitled to resign at any time subject to a replacement Custodian being appointed with effect from the time the resignation is to take effect. The Trustee will be entitled to terminate the appointment of the Custodian in certain circumstances (more particularly set out in the Custodian Agreement) but the MERC Investor or MERC Investors will have no right to terminate the appointment of the Custodian.

Condition 2: Status, Ranking and Security

- (a) The MERCs are constituted by the Trust Deed. The Issuer will issue 100 MERCs on the Issue Date.
- (b) The MERCs constitute direct, secured (as more particularly described in the Issuer Security Deed) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.
- (c) The Issuer Security 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 Issuer Security Deed 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.
- (d) As security for the payment of all monies payable in respect of the MERCs, the Issuer will enter into the Issuer Security Deed, 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) a first fixed charge over all the Issuer’s right, title, interest and benefit in, *inter alia*, the Mortgage Loans and Related Security;
 - (ii) a first fixed charge over the Issuer’s right, title, interest and benefit in the Issuer Transaction Account and any other bank account of the Issuer from time to time;
 - (iii) an assignment over all the Issuer’s right, title, interest and benefit in:
 - (a) the Mortgage Sale Agreements;
 - (b) the Servicing Agreements;
 - (c) the Special Servicer Agreements;
 - (d) the Cash Management, Master Servicing and Account Bank Agreement;
 - (e) the Paying Agency Agreement
 - (f) the Liquidity Facility Agreement;
 - (g) the Guaranteed Investment Contract;
 - (h) the Interest Rate Cap Agreement;
 - (i) the Interest Rate Swap Agreement;

- (j) the Collection Accounts Declaration of Trust;
 - (k) the Corporate Services Agreement;
 - (l) the CIFG Note Guarantee;
 - (m) the Guarantee and Reimbursement Agreement;
 - (n) the Incorporated Terms Memorandum (together with the documents listed at paragraphs (a) to (m), and the Post Enforcement Call Option Deed, the Trust Deed and the Custodian Agreement, the “**Transaction Documents**”);
 - (o) the Insurance Policies; and
 - (p) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time;
- (iv) a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property, assets and rights of the Issuer which are not, at any time, covered by the fixed security described above.

After service of an Enforcement Notice by the Trustee, the Trustee shall apply all funds received by it or on behalf of the Issuer and from the proceeds of enforcement of the Security (excluding amounts in respect of Mortgage Early Repayment Charges) to make payments in the following order of priority (the “**Post-Enforcement Priority of Payments**”) pursuant to, in accordance with and as set out in the Issuer Security Deed:

- (i) *first*, to pay, *pro rata* and *pari passu*, any remuneration then due to any liquidator or 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 liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus value added tax, if any) in acting pursuant to the Trust Deed and the Issuer Security Deed;
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, interest, expenses and liabilities due to the Servicer under the Servicing Agreements, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicing and Account Bank Agreement, the Special Servicer under the Special Servicer Agreements, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iii) *third*, in payment in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) *fourth*, *pro rata* and *pari passu* in payment in or towards amounts due and payable to:
 - (a) the Swap Counterparty pursuant to the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of a replacement swap transaction, if any, (except for any relevant Swap Counterparty Default Payment); and
 - (b) the Cap Provider pursuant to the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction, if any, (except for any relevant Cap Provider Default Payment);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (b) *pari passu* to the holders of the A Notes in respect of principal of the A Notes until no A Notes remain outstanding; and

- (c) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vi) *sixth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders); and
 - (b) *pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders); and
 - (b) *pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders); and
 - (b) *pari passu* to the holders of the D Notes in respect of principal payable in respect of the D Notes until no D Notes remain outstanding;
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders); and
 - (b) *pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding;
- (x) *tenth*, *pro rata* and *pari passu* in or towards payment of:
 - (a) any Swap Counterparty Default Payment to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap transaction, if any, payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement; and
 - (b) any Cap Provider Default Payment to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap transaction, if any, payable to the Cap Provider under the terms of the Interest Rate Cap Agreement;
- (xi) *eleventh*, *pari passu* to pay the holders of the MERCs amounts payable in respect of the MERCs;
- (xii) *twelfth*, to pay *pari passu* and *pro rata*:
 - (a) amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Subordinated Noteholders); and
 - (b) *pari passu* to the holders of the Subordinated Notes in respect of principal of the Subordinated Notes; and
- (xiii) *thirteenth*, *pari passu* to the holders of the R Certificates to pay amounts payable in respect of the R Certificates.

The Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Security has become enforceable otherwise than by reason of a default in payment

of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are 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 liability of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes.

Condition 3: Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any MERC remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) **Negative Pledge**

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) **Restrictions on Activities**

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open any account whatsoever with any 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 MERC Condition 2 and if so charged, the Issuer will obtain confirmation from such bank or financial institution that it will not exercise any right of set-off against the Issuer;

(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 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 any 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 IX of Part X of the Income and Corporation Taxes Act 1988;

(h) **Other**

permit any of the Transaction Documents, the insurance contracts relating to the Mortgage Loans owned by the Issuer or the priority of the security interest 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 or permit any party to any of the Transaction Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the MERC Holders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

Condition 4: MERC Holder Payments

(a) **Entitlement**

Amounts (if any) received by the Issuer in respect of the obligation of Borrowers, in certain circumstances, to pay an early repayment charge (the “**Mortgage Early Repayment Charges**”) in the event they repay all or any part of the relevant Mortgage Loan, voluntarily or to the extent recovered following an enforcement event, at any time before the end of the mortgage term will be paid to the MERC Holders (the “**MERC Holder Payments**”). Mortgage Early Redemption Charges will be collected during each Collection Period. The MERC Holder Payments shall be calculated on each Calculation Date and shall be equal to the aggregate of Mortgage Early Repayment Charges (if any) received by the Issuer in the three Collection Periods ended prior to the third Business Day before the Payment Date (each such date a “**Calculation Date**”) on which such MERC Holder Payments are to be paid divided by the number of MERCs on such Calculation Date. However, the MERC Holders will not be entitled to Mortgage Early Repayment Charges (the “**Ported Mortgage Early Repayment Charges**”) received or receivable by the Issuer in connection with any advances made to the Borrowers that have redeemed their initial Mortgage Loans and been granted new Mortgage Loans on substantially the same commercial terms within six months of the completion date of the initial Mortgage Loans for other Properties (such new Mortgage Loans, the “**Ported Mortgage Loans**”). The Ported Mortgage Early Repayment Charges are waived or refunded to the paying Borrowers upon completion of the Ported Mortgage Loans. Each MERC shall cease to bear an entitlement to MERC Holder Payments from the date of the cancellation of the MERCs (in accordance with MERC Condition 6).

(b) **Payment**

Subject to MERC Condition 6, MERC Holder Payments are payable in sterling on 21 August 2006 and thereafter on the 21st day in November, February, May and August in each year or on the following Business Day if such day is not a Business Day (each such date a “**Payment Date**”). “**Business Day**” means a day (other than Saturday or Sunday) on which banks are open for business in London and Paris.

(c) The Custodian will, upon receipt on any Payment Date of the aggregate of the MERC Holder Payments from the Issuer or the Paying Agent, as the case may be, pay to each MERC Investor, in accordance with the Custodian Agreement, that part of such aggregate amount as represents that MERC Investor’s *pro rata* share of that aggregate amount subject to deduction for or an account of UK income tax to the extent required by law at the applicable rate from time to time unless, not more than 5 Business Days but not less than 2 Business Days prior to that Payment Date, the Custodian has received from that Investor either:

- (i) a certificate confirming that such Investor is a person within the charge to UK corporation tax; or
- (ii) that Investor provides to the Custodian a certificate, attaching a certified copy of a gross payment direction under an applicable double taxation agreement entitling that MERC Investor to receive such payments without deduction for or an account of UK income tax, certifying that such clearance has not been revoked or expired, whereupon no such deduction shall be made.

(d) **Determination and/or Calculation by Trustee**

If the Master Servicer does not at any time for any reason determine and/or calculate the MERC Holder Payments, the Trustee shall determine and calculate the MERC Holder Payments in the manner specified in paragraphs (a) and (b) above, and any such determination and/or calculation shall be deemed to have been made by the Cash Manager.

(e) **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 Manager or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Servicer, 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 Manager or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

Condition 5: Transferability

The Custodian from time to time will be the sole MERC Holder in the records of Euroclear or Clearstream, Luxembourg and, forthwith upon the resignation of any Custodian, that Custodian will transfer its interest in the MERCs to the replacement Custodian.

Condition 6: Cancellation

The entitlement of MERC Holders to receive MERC Holder Payments is contingent on the Notes remaining outstanding. Subject to receipt by MERC Holders of MERC Holder Payments then payable in accordance with the Post-Enforcement Priority of Payments, the MERCs shall be cancelled and will no longer constitute a claim against the Issuer following the redemption of all (but not some only) of the Notes.

Condition 7: Payments

(a) **Global MERCs**

Payments of MERC Holder Payments in respect of the Global MERC will be made to the persons in whose names the Global MERC is registered on the Register at the close of business on the sixth Business Day immediately prior to the relevant Payment Date and, in the case of final redemption of the Global MERC, upon surrender of the Global MERC at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(b) **Definitive MERCs**

Payments of MERC Holder Payments in respect of Definitive MERCs will be made on each Payment Date to the persons in whose names the Definitive MERCs are registered on the Register at the close of business on the sixth Business Day immediately prior to the relevant Payment Date and, in the case of final redemption of a Definitive MERC, upon surrender of such Definitive MERC at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(c) Payments in respect of the MERCs are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) If payment of MERC Holder Payments is improperly withheld or refused on or in respect of any MERC or part thereof, the MERC Holder Payments which continue to accrue in respect of such MERC in accordance with MERC Condition 4 and will be paid to the extent received against (in respect of the Global MERC) presentation of such MERC at the specified office of any of the Paying Agents and (in respect of any Definitive MERC) in accordance with MERC Condition 7(b).

(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 Paying Agents.

Condition 8: Prescription

The Global MERC shall become void unless presented for payment within a period of five years from the date on which the final MERC Holder Payment first became due. Claims for MERC Holder Payments in respect of Definitive MERCs shall become void unless made within a period of five years from the date on which the final MERC Holder Payment 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.

Condition 9: 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, assessment 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, the Seller, 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.

Condition 10: Events of Default

Upon the Trustee giving an Enforcement Notice in accordance with Condition 10 of the Notes that the Notes are due and payable, MERC Holder Payments in respect of Mortgage Early Repayment Charges received by the Issuer as at the date of such Enforcement Notice shall immediately become due and payable. Any Mortgage Early Repayment Charges received following the date of the Enforcement Notice, but prior to the earliest of (a) the discharge in full of all amounts owing in respect of the Notes or (b) the Mortgage Loans being sold, will be for the benefit of the MERC Holders. No MERC Holder shall be entitled to proceed directly against the Issuer.

Condition 11: 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 Transaction Documents as they relate to the MERCs, provided that no modification of certain terms by the MERC Holders including, *inter alia*, the day of expiry of the MERCs or a modification which would have the effect of postponing any day for payment of MERC Holder Payments in respect of such MERCs, the reduction or cancellation of the amount of MERC Holder Payments 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 MERC Holder Payments (any such modification in respect of the MERCs being referred to below as a “**Basic Terms Modification**”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of 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 or all Definitive MERCs, such person will be deemed to constitute two persons for the purposes of forming a quorum for such meetings in accordance with this paragraph.

Other than in respect of Instrumentholder Entrenched Rights, in respect of the interests of the MERC Holders, the Trust Deed contains provision requiring the Trustee not to have regard to the interests of the MERC Holders as regards all powers, trusts, authorities, duties and directions of the Trustee. The Trustee may only be directed by the MERC Holders and any Extraordinary Resolution of the MERC Holders will only be effective if the Trustee is of the opinion that the effect of the same will not be materially

prejudicial to the interests of any or all of the Noteholders, the Subordinated Noteholders and the R Certificateholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders, the Subordinated Noteholders and the R Certificateholders.

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 any or all of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the Subordinated Noteholders or the R Certificateholders, or it is sanctioned by an Extraordinary Resolution of each of the A Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the Subordinated Noteholders and the R Certificateholders.

Any resolution or direction of any class of Noteholders or Instrumentholders that would have the effect of modifying or waiving any provision of any of the Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Instrumentholders (such right of each class of Instrumentholders, the “**Instrumentholder Entrenched Rights**”).

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.

Subject to the succeeding paragraph, 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 Transaction 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 Transaction Documents which in the Trustee’s opinion is to correct a manifest error or is of a formal, minor or technical nature. The Trust Deed provides that a resolution in writing signed by, or on behalf of, the holders of not less than 75 per cent. of the aggregate principal balance of the MERCs who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such MERC Holders duly convened and held.

Condition 12: Indemnification and Exoneration of the Trustee

- (a) The Trust Deed and the Issuer Security Deed contain 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 and/or secured to its satisfaction (including, in relation to making any claim under the CIFG Note Guarantee). The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and 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 Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.
- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- (d) The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with MERC Condition 15.

Condition 13: Definitive MERCs

Definitive MERCs will only be issued in the following limited circumstances:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the MERCs which would not be required if the MERCs were in definitive form; or
- (c) 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), (or in the interpretation, application or administration of the same) of any applicable jurisdiction (including 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.

If Definitive MERCs are issued, the beneficial interests represented by the Global MERC shall be exchanged by the Issuer for Definitive MERCs in an amount proportionate to the beneficial interests represented by the Global MERC subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the Global MERC.

Condition 14: 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.

Condition 15: Notice to MERC Holders

Any notice to the MERC Holders shall be deemed to have been validly given, if either 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 Dublin, or until such time as any Definitive MERCs are issued and so long as the Global MERCs are held on behalf of Euroclear and/or Clearstream, Luxembourg, upon delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to MERC Holders; 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 above-noted newspaper 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 or, in the case of notice delivered to Euroclear and/or Clearstream, Luxembourg as described above, on the same day delivery is made to Euroclear and/or Clearstream, Luxembourg.

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.

Condition 16: Non Petition

The MERC Holders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed):

- (a) to direct the Trustee to enforce the Security; or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or

- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Priorities of Payments not being observed.

Condition 17: Rights of Third Parties

No rights are conferred on any third person (except the MERC Holders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the MERCs, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

Condition 18: CIFG's Disclaimer of Liability

To the extent permitted under applicable law:

- (a) CIFG will have no liability or responsibility whatsoever under any circumstances for any loss, liability or expense howsoever arising incurred by any person (other than to the Trustee as provided in the following sentence), including but not limited to any MERC Holder as a result of or in connection with the exercise by CIFG of its rights in accordance with these Conditions, the MERC Conditions or the Transaction Documents.
- (b) No person including but not limited to any Noteholder or any MERC Holder (other than the Trustee, the Issuer or the A3b Noteholders) shall be entitled to take any steps or action against or initiate any proceedings in relation to CIFG for the purpose of obtaining any amount due to such person under the Conditions, MERC Conditions or the Transaction Documents or otherwise or for the purpose of recovering any amount in compensation for any loss or damage suffered by such person or any other person.

Condition 19: Governing Law

The Transaction Documents and the MERCs are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

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

The Subordinated Notes of Alba 2006 – 1 plc (the “**Issuer**”) are constituted by a trust deed (the “**Trust Deed**”) expected to be dated 16 June 2006 (or such other later date as may be agreed between the Issuer, the Trustee and the Lead Manager) (the “**Issue Date**”) between the Issuer, CIFG and HSBC Trustee (C.I.) Limited (the “**Trustee**”, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Subordinated Noteholders. The Subordinated Notes will have the benefit of (to the extent applicable) a paying agency agreement (the “**Paying Agency Agreement**”) dated on or prior to the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc, as principal paying agent (the “**Principal Paying Agent**”, as transfer agent (the “**Transfer Agent**”), as agent bank (the “**Agent Bank**”) and as registrar (the “**Registrar**”) and HSBC Institutional Trust Services (Ireland) Limited as Irish Paying Agent (the “**Irish Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”).

In these conditions (the “**Subordinated Notes Conditions**”), all references to “**Registrar**”, “**Agent Bank**” and “**Paying Agent**” shall mean any registrar, agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement 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 Subordinated Note Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the incorporated terms memorandum (the “**Incorporated Terms Memorandum**”) dated the Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These Subordinated Notes Conditions include summaries of, and are subject to, the detailed provisions of the following agreements, dated on or prior to the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the Notes) the Paying Agency Agreement and a security deed between, *inter alios*, the Issuer and the Trustee (the “**Issuer Security Deed**”). Copies of the Trust Deed, the Paying Agency Agreement, the Issuer Security Deed and the other Transaction Documents are available for inspection at the specified office of the Principal Paying Agent. The Subordinated Noteholders 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 and the Issuer Security Deed.

If Subordinated Notes in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Subordinated Note would be as set out below. While the Subordinated Notes remain in global form, the same terms and conditions govern such Subordinated Notes, except to the extent that they are appropriate only to Subordinated Notes in definitive form.

Condition 1: Form, Denomination and Title

The Subordinated Notes will be represented by a global note in registered form (the “**Global Subordinated Note**”) which, in aggregate, will represent the aggregate principal amount of the outstanding Subordinated Notes. The Subordinated Notes will be in the denomination of £50,000 and increments of £1,000 in excess thereof.

Title to the Global Subordinated Notes will pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the “**Register**”).

Transfers and exchanges of beneficial interests in Global Subordinated Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules of Euroclear and Clearstream, Luxembourg (as the case may be).

Issuance of Definitive Subordinated Notes

If Subordinated Notes in definitive form are issued pursuant to Subordinated Note Condition 13, Definitive Subordinated Notes in an aggregate principal amount equal to the relevant Principal Amount Outstanding (as defined in Subordinated Note Condition 5(b)) of the Global Subordinated Note

(“**Definitive Subordinated Notes**”) will be issued in registered form in the denomination of £50,000 and increments of £1,000 in excess thereof (an “**Authorised Denomination**”).

Title to Global Subordinated Notes and Definitive Subordinated Notes

Title to the Global Subordinated Notes and the Definitive Subordinated Notes will pass by and upon registration in the Register. The registered holder of the Global Subordinated Note and each Definitive Subordinated Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of the Global Subordinated Note or Definitive Subordinated 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 Subordinated Note, a duly executed transfer of such Definitive Subordinated Note in the form endorsed thereon. Each Definitive Subordinated Note will be serially numbered.

For so long as the Subordinated Notes are represented by the Global Subordinated Note, the Issuer and the Trustee may (but shall not be obliged to) (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of the particular principal amount of Subordinated Notes (each, an “**Accountholder**”) as the holder of such principal amount of Subordinated Notes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Subordinated Noteholders), other than for the purposes of payment of principal and interest on the Global Subordinated Note, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the Global Subordinated Note in accordance with and subject to the terms of the Trust Deed.

Transfers of Subordinated Notes

Transfers and exchanges of beneficial interests in the Global Subordinated Note will be effected subject to and in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as appropriate. All transfers of Definitive Subordinated Notes and entries on the Register in the case of any Definitive Subordinated Notes will be made subject to any restrictions on transfers set forth on such Definitive Subordinated Notes and the detailed regulations concerning transfers of such Definitive Subordinated 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 Subordinated Note who so requests.

A Definitive Subordinated Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the relevant Definitive Subordinated 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 Subordinated Note, a new Definitive Subordinated Note in respect of the balance not transferred will be issued to the transferor provided that neither the part transferred nor the balance not transferred may be less than an Authorised Denomination.

Each new Definitive Subordinated Note to be issued upon transfer of Definitive Subordinated Notes will, within five 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 Subordinated Note to such address as may be specified in such request.

Registration of Definitive Subordinated 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, levy, duty, imports or other governmental charges which may be imposed in relation to it.

No holder of a Definitive Subordinated Note may require the transfer of such Definitive Subordinated Note to be registered during the period of 15 days ending on a Payment Date.

Condition 2: Status, Rank and Security

(a) *The Subordinated Notes are constituted by the Trust Deed.*

The Subordinated Notes constitute direct, secured (as more particularly described in the Issuer Security Deed) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.

The Issuer Security 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 Issuer Security Deed 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 monies payable in respect of the Subordinated Notes, the Issuer will enter into the Issuer Security Deed, 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) a first fixed charge over all the Issuer's right, title, interest and benefit in, *inter alia*, the Mortgage Loans and Related Security;
- (ii) a first fixed charge over the Issuer's right, title, interest and benefit in the Issuer Transaction Account and any other bank account of the Issuer from time to time;
- (iii) an assignment over all the Issuer's right, title, interest and benefit in:
 - (a) the Mortgage Sale Agreements;
 - (b) the Servicing Agreements;
 - (c) the Special Servicer Agreements;
 - (d) the Cash Management, Master Servicing and Account Bank Agreement;
 - (e) the Paying Agency Agreement
 - (f) the Liquidity Facility Agreement;
 - (g) the Guaranteed Investment Contract;
 - (h) the Interest Rate Cap Agreement;
 - (i) the Interest Rate Swap Agreement;
 - (j) the Collection Accounts Declaration of Trust;
 - (k) the Corporate Services Agreement;
 - (l) the CIFG Note Guarantee;
 - (m) the Guarantee and Reimbursement Agreement;
 - (n) the Incorporated Terms Memorandum (together with the documents listed at paragraphs (a) to (m), and the Post Enforcement Call Option Deed, the Trust Deed and the Custodian Agreement, the "**Transaction Documents**");
 - (o) the Insurance Policies; and
 - (p) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time;
- (iv) a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property, assets and rights of the Issuer which are not, at any time, covered by the fixed security described above.

(b) ***Pre-Enforcement Interest Priority of Payments***

Prior to the service of an Enforcement Notice by the Trustee, the Cash Manager, on behalf of the Issuer, is required to apply Available Revenue Funds on each Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawn Amount (if any) will be applied in or towards the Revenue Shortfalls only (the "**Pre-Enforcement Interest Priority of Payments**") (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date:

- (i) *first*, to pay the remuneration due and payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it in acting pursuant to the Trust Deed and/or the Issuer Security Deed together with interest thereon as provided in the Trust Deed and/or the Issuer Security Deed;

- (ii) *second*, to pay amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are due and payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Issuer Security Deed and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer's liability or possible liability for corporation tax;
- (iii) *third*, to pay *pari passu* and *pro rata*:
 - (A) the servicing fee due and payable to the Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date or if the appointment of the Servicer is terminated and a substitute is appointed, the servicing fee above will reflect the fee schedule agreed with such substitute servicer in accordance with the procedures set out in the relevant Servicing Agreement and subject always to the consent of the Trustee;
 - (B) the special servicing fee due and payable to the Special Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date; and
 - (C) amounts due to the Paying Agents, the Agent Bank, the Transfer Agent and the Registrar under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement and amounts due to the Account Bank, the Cash Manager and the Master Servicer (inclusive of value added tax, if any) and under the Cash Management, Master Servicing and Account Bank Agreement;
- (iv) *fourth*, in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement;
- (v) *fifth*, to pay *pari passu* and *pro rata*:
 - (A) amounts due and payable to the Swap Counterparty including (a) scheduled payments due under the Interest Rate Swap Agreement and (b) any termination payment due under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions (except for any relevant Swap Counterparty Default Payment where "**Swap Counterparty Default Payment**" means any termination payment due or payable under the Interest Rate Swap Agreement as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Swap Counterparty (as such terms are defined in the Interest Rate Swap Agreement)); and
 - (B) amounts due and payable to the Cap Provider including (a) scheduled payments due under the Interest Rate Cap Agreement and (b) any termination payment due under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction (except for any Cap Provider Default Payment where "**Cap Provider Default Payment**" means any termination payment due or payable under the Interest Rate Cap Agreement as a result of the occurrence of an Event of Default where the Cap Provider is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Cap Provider (as such terms are defined in the Interest Rate Cap Agreement)); and
 - (C) amounts due and payable to a replacement swap counterparty to the extent not satisfied from any collateral provided by the Swap Counterparty together with the termination payment (if any) made by the Swap Counterparty; and
 - (D) amounts due and payable to a replacement cap provider to the extent not satisfied from any collateral provided by the Cap Provider together with the termination payment (if any) made by the Cap Provider;

- (vi) *sixth*, to pay *pari passu* and *pro rata*:
 - (A) amounts (other than in respect of principal) 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
 - (B) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vii) *seventh*, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the A Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub – Ledger has reached zero;
- (viii) *eighth*, to pay amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (ix) *ninth*, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the B Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (x) *tenth*, to pay amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, to pay amounts to be credited to the C Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the C Notes in accordance with Condition 5) until the balance of the C Principal Deficiency Sub – Ledger has reached zero;
- (xii) *twelfth*, to pay amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, to pay amounts to be credited to the D Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the D Notes in accordance with Condition 5) until the balance of the D Principal Deficiency Sub-Ledger has reached zero;
- (xiv) *fourteenth*, to pay amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xv) *fifteenth*, to pay amounts to be credited to the E Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the E Notes in accordance with Condition 5) until the balance of the E Principal Deficiency Sub-Ledger has reached zero;
- (xvi) *sixteenth*, to credit the Reserve Ledger, until the balance of the Reserve Fund reaches the Reserve Fund Required Amount;
- (xvii) *seventeenth*, to retain in the Issuer Transaction Account as the Issuer's profit, an amount equal to one quarter of 0.01 per cent. of the product of the weighted average Mortgage Rate of the Mortgage Loans at the end of the preceding Collection Period and the aggregate principal balance outstanding of the Mortgage Loans at the end of the preceding Collection Period;
- (xviii) *eighteenth*, in or towards *pari passu* and *pro rata* payment of:
 - (A) any Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty together with any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions; and
 - (B) any Cap Provider Default Payment payable to the Cap Provider under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider together with any amounts received by the Issuer from a replacement cap provider in respect of replacement cap transactions;

- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* to the respective interest entitlements of the Subordinated Noteholders);
- (xx) *twentieth*, to pay *pari passu* to the holders of the Subordinated Notes in respect of principal due and payable of the Subordinated Notes; and
- (xxi) *twenty-first*, in and towards amounts payable in respect of the R Certificateholders.

(c) **Post-Enforcement Priority of Payments**

After service of an Enforcement Notice by the Trustee, the Trustee shall apply all funds received by it or on behalf of the Issuer and from the proceeds of enforcement of the Security (excluding amounts in respect of Mortgage Early Repayment Charges) make payments in the following order of priority (the “**Post-Enforcement Priority of Payments**” and together with the Pre-Enforcement Priorities of Payments, the “Priorities of Payments”) pursuant to, in accordance with and as set out in the Issuer Security Deed:

- (i) *first*, to pay, *pro rata* and *pari passu*, any remuneration then due to any liquidator or 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 liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus value added tax, if any) in acting pursuant to the Trust Deed and the Issuer Security Deed;
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, interest, expenses and liabilities due to the Servicer under the Servicing Agreements, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicing and Account Bank Agreement, the Special Servicer under the Special Servicer Agreements, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;
- (iii) *third*, in payment in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) *fourth, pro-rata and pari passu* in payment in or towards amounts due and payable to:
 - (a) the Swap Counterparty pursuant to the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of a replacement swap transaction, if any, (except for any relevant Swap Counterparty Default Payment); and
 - (b) the Cap Provider pursuant to the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction, if any, (except for any relevant Cap Provider Default Payment);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (b) *pari passu* to the holders of the A Notes in respect of principal of the A Notes until no A Notes remain outstanding;
 - (c) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vi) *sixth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders); and

- (b) *pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders); and
 - (b) *pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders); and
 - (b) *pari passu* to the holders of the D Notes in respect of principal payable in respect of the D Notes until no D Notes remain outstanding.
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders); and
 - (b) *pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding;
- (x) *tenth*, *pro rata* and *pari passu* in or towards payment of:
 - (a) any Swap Counterparty Default Payment to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap transaction, if any, payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement; and
 - (b) any Cap Provider Default Payment to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap transaction, if any, payable to the Cap Provider under the terms of the Interest Rate Cap Agreement;
- (xi) *eleventh*, *pari passu* to the holders of the MERCs to pay amounts payable in respect of the MERCs;
- (xii) *twelfth*, to pay *pari passu* and *pro rata*:
 - (a) amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Subordinated Noteholders); and
 - (b) *pari passu* to the holders of the Subordinated Notes in respect of principal of the Subordinated Notes; and
- (xiii) *thirteenth*, *pari passu* to the holders of the R Certificates to pay amounts payable in respect of the R Certificates.

The Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are 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 liability of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes.

Condition 3: Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any Subordinated Notes remains outstanding (as defined in the Trust Deed), *inter alia*:

(a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) ***Restrictions on Activities***

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open any account whatsoever with any 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 Subordinated Note Condition 2 and if so charged, the Issuer will obtain confirmation from such bank or financial institution that it will not exercise any right of set-off against the Issuer;

(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 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 any 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 IX of Part X of the Income and Corporation Taxes Act 1988.

(h) ***Other***

permit any of the Transaction Documents, the insurance contracts relating to the Mortgage Loans owned by the Issuer or the priority of the security interest 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 Transaction Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the Subordinated Noteholders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

Condition 4: Interest

(a) *Period of Accrual*

Each Subordinated Note bears interest from (and including) the Issue Date. Each Subordinated 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 Subordinated Note Condition (after as well as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of the Subordinated Notes up to that day are received by or on behalf of the relevant Subordinated Noteholders, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Subordinated Note Condition 15) that it has received all sums due in respect of such Subordinated Notes (except to the extent that there is any subsequent default in payment). Any interest shortfall shall accrue interest during each Interest Period during which it remains outstanding in accordance with Subordinated Note Condition 4(f). Whenever it is necessary to compute an amount of interest in respect of any Subordinated Notes for any period (including an Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

(b) *Payment Dates and Interest Periods*

Subject to Subordinated Note Condition 6, interest on the Subordinated Notes is payable in arrear on 21 August, and thereafter quarterly in arrear on the 21st day in November, February, May and August in each year, unless such day is not a Business Day, in which case interest shall be payable on the following day which is a Business Day (each such date, a “**Payment Date**”). “**Business Day**” (other than for the purposes of Subordinated Note Condition 6) means a day (other than Saturday or Sunday) on which banks are open for business in London and Paris. The period from (and including) a Payment Date (or the Issue Date) to (but excluding) the next (or first) Payment Date is called an “**Interest Period**” in these Subordinated Note Conditions.

(c) *Rate of Interest*

Subject to Subordinated Note 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 Subordinated Notes will be determined on the basis of the provisions set out below:

- (i) for the purpose of determining the London Interbank Offered Rate (“**LIBOR**”) for three month sterling deposits (or, in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for 2 month sterling deposits and LIBOR for 3 month sterling deposits) (“**Note LIBOR**”), on each Payment Date, or in respect of the first Interest Period, on the Issue Date (each an “**Interest Determination Date**”), the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits (or in respect of the first Interest Period, an annual rate obtained by linear interpolation of LIBOR for two month sterling deposits and LIBOR for three month sterling deposits) 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 Telerate Screen Page No. 3750) as at or about 11.00 am (London time) on that date (the “**Sterling Screen Rate**”). Note LIBOR in relation to the Notes for such Interest Period shall be the Sterling Screen Rate;
- (ii) if the Sterling Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (i) below) to provide the Agent

Bank with its offered quotation as at or about 11.00 am (London time) on that date to leading banks for the applicable currency deposits for a period of three months (or in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for two month and three month applicable currency deposits respectively). The applicable Note LIBOR for such Interest Period shall, subject as provided below, be 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) if, on the relevant Interest Determination Date, the Sterling Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the applicable Note LIBOR for the relevant Interest Period shall be determined (in accordance with (c)(i) above) on the basis of the quotations of the two quoting Reference Banks;
- (iv) if, on the relevant Interest Determination Date, the Sterling Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the applicable note LIBOR for the relevant Interest Period shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be either (aa) the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the applicable currency lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 am (London time) on the relevant Interest Determination Date, 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 (bb) if the Agent Bank certifies that it cannot determine such arithmetic means, the average of the applicable currency lending rates 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 (bb) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Note LIBOR in effect for the Interest Period ending on the relevant Interest Determination Date; and
- (v) the Rate of Interest for any Interest Period will be equal to 5 per cent. per annum above Note LIBOR (as determined in the manner provided above).

(d) ***Determination of Rate of Interest and Calculation of Interest Amounts***

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Cash Manager, the Trustee, the Principal Paying Agent of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of each Subordinated Note and (ii) the amount of interest (the “**Interest Amount**”) payable in respect of such Interest Period in respect of each Subordinated Note. The Interest Amount will be calculated by applying the Rate of Interest in respect of each Subordinated Note multiplied by the Principal Amount Outstanding of such Subordinated Note and then multiplied by the actual number of days elapsed in the Interest Period and divided by 365 (or 366, where the last day of such period falls in a leap year) rounded to the nearest penny with half a penny being rounded upwards.

(e) ***Publication of Rate of Interest, Interest Amount***

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 Payment Date to be notified to each stock exchange (if any) on which notice is to be given in accordance with Subordinated Note Condition 15. The Interest Amount and 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.

(f) ***Deferral of Interest***

Interest on the Subordinated Notes shall be payable in accordance with this Subordinated Note Condition 4 and Subordinated Note Condition 6 subject to the terms of this paragraph (f):

- (i) in the event that the aggregate funds (if any) calculated in accordance with the Pre-Enforcement Interest Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest which is, subject to this Subordinated Note Condition 4(f), due on the Subordinated Notes on such Payment Date

(such aggregate available funds being referred to in this Subordinated Note Condition 4(f) as the “**Subordinated Interest Residual Amount**”) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Subordinated Note Condition 4(f), due on the Subordinated Notes on such Payment Date, there shall be payable on such Payment Date, by way of interest on each Subordinated Note, a *pro rata* share of the Subordinated Interest Residual Amount; and

- (ii) in the event that, by virtue of the provisions of sub-paragraph (i) above, a *pro rata* share of the Subordinated Interest Residual Amount is paid to Subordinated Noteholders 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 Subordinated Notes on any Payment Date in accordance with this Subordinated Note Condition 4(f) falls short of the aggregate amount of interest payable on the Subordinated Notes on that date pursuant to the other provisions of this Subordinated Note Condition 4. Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the applicable Note LIBOR plus 5 per cent. per annum for such Interest Period. A *pro rata* share of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of this Subordinated Note Condition as if it were interest due, subject to this Subordinated Note Condition 4(f), on each Subordinated Note on the next succeeding Payment Date. This provision shall cease to apply on the Payment Date referred to in Subordinated Note Condition 5(a) at which time all accrued interest shall become due and payable.

(g) ***Determination and/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 (d) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) ***Notifications to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Subordinated Note Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Trustee and all Subordinated Noteholders and (in such absence as aforesaid) no liability to the Trustee or the Subordinated Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(i) ***Reference Banks and Agent Bank***

The Issuer shall ensure that, so long as any of the Subordinated Notes remains outstanding, there shall at all times be an Agent Bank. The initial Agent Bank shall be HSBC Bank plc. 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. The reference banks shall be the principal London office of each of Barclays Bank PLC, National Westminster Bank Plc and HSBC Bank plc or any other three major banks engaged in the London interbank market as may be selected by the Agent Bank (each a “**Reference Bank**”).

(j) ***Issuer Undertaking to Maintain EU Paying Agent Not Obligated to Withhold or Deduct Tax***

The Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Condition 5: Redemption and Post-Enforcement Call Option

(a) Final Redemption of the Subordinated Notes

Unless previously redeemed as provided in this Subordinated Note Condition, the Issuer shall redeem the Subordinated Notes by first applying amounts (if any) remaining to the credit of the Reserve Ledger (including any Reserve Fund Excess) to the extent that such amounts are available for this purpose on the Payment Date falling in November 2037 (the “**Final Payment Date**”).

The Issuer may not redeem Subordinated Notes in whole or in part prior to the Final Payment Date except as provided in this Subordinated Note Condition but without prejudice to Subordinated Note Condition 9.

(b) Mandatory Redemption in Part

On each Payment Date, other than the Payment Date on which the Subordinated Notes are to be redeemed under paragraph (a) above, the Issuer shall make redemptions of the Subordinated Notes on such Payment Date in an amount equal to the lower of: (x) the Cumulative Reserve Fund Excess; and (y) the balance of Available Revenue Funds on that Payment Date having paid or provided in full for items (i) to (xix) of the Pre-Enforcement Interest Priority of Payments, in accordance with the Pre-Enforcement Interest Priority of Payments.

Following the earliest to occur of redemption of all the Notes or an enforcement of the Security and subsequent disposal of the Charged Assets, the principal amount due and payable of the Subordinated Notes will be equal to the amounts (if any) standing to the credit of the Reserve Ledger (including, for the avoidance of doubt, the Reserve Fund Excess) to the extent that such amounts are available for such purpose.

The principal amount redeemable in respect of a Subordinated Note (the “**Subordinated Note Principal Payment**”) on any Payment Date shall be the amount available for such purpose pursuant to this Subordinated Note Condition 5(b) multiplied by a fraction, the numerator of which is the initial denomination of that Subordinated Note and the denominator of which is the aggregate initial Principal Amount Outstanding of the Subordinated Notes; provided always that no Subordinated Note Principal Payment may exceed the Principal Amount Outstanding of a Subordinated Note to be redeemed by such payment.

With respect to each Subordinated Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the Reserve Fund Excess and the Cumulative Reserve Fund Excess due on the Payment Date next following such Calculation Date, and (ii) the principal amount outstanding of each Subordinated Note on the Payment Date next following such Calculation Date (after deducting any Subordinated Note Principal Payment due to be made on that Payment Date, such deduction not to be made for the purposes of future calculations with regard to Subordinated Note Conditions 4, 5, 9 and 10 if the Subordinated Note Principal Payment which has become due has not been paid) (the “**Principal Amount Outstanding**”). Each determination by or on behalf of the Issuer of any Subordinated Note Principal Payment and the Principal Amount Outstanding of any Subordinated Note shall in each case (in the absence of negligence, wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each Subordinated Note, the Issuer will cause each determination of a Reserve Fund Excess, Cumulative Reserve Fund Excess, Subordinated Note Principal Payment and Principal Amount Outstanding to be notified in writing forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Subordinated 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 Subordinated Note Condition 15 by not later than two Business Days prior to the relevant Payment Date. If no Subordinated Note Principal Payment is due to be made on the Subordinated Notes on any Payment Date a notice to this effect will be given to the Subordinated Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine) with respect to each Subordinated Note, a Subordinated Note Principal Payment or the Principal Amount Outstanding (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.

(c) **Purchase**

The Issuer shall not purchase any Subordinated Notes.

(d) **Cancellation**

All Subordinated Notes redeemed pursuant to paragraphs (a) or (b) above will be cancelled upon redemption and may not be resold or re-issued.

(e) **Post-Enforcement Call Option**

All of the Noteholders (other than the A Noteholders) and/or the Subordinated Noteholders will, at the request of Option Co., sell all (but not some only) of their holdings of Notes and/or Subordinated Notes to Option Co. as holder of the option granted to it by the Trustee to acquire all (but not some only) of the Notes (other than the A Notes) and/or Subordinated Notes (plus accrued interest thereon), for the consideration of one penny per Subordinated Note outstanding in the event that the Security is enforced, at any time after the date on which the Trustee is advised (by the Cash Manager or otherwise) that the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the Notes (other than the A Notes) and/or Subordinated Notes and after the application of any such proceeds to the Subordinated Notes under the Issuer Security Deed, to pay any further principal and interest and any other amounts whatsoever due in respect of the Notes (other than the A Notes) and/or Subordinated Notes.

Furthermore, each of the Subordinated Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders (except the A Noteholders) and the Subordinated Noteholders in accordance with the terms and conditions set out in the Post-Enforcement Call Option Deed and each Subordinated Noteholder, by subscribing for or purchasing the relevant Subordinated Notes(s), agrees to be so bound.

Condition 6: Method of Payments

(a) **Global Subordinated Note**

Payments of interest and principal in respect of the Global Subordinated Note will be made to the persons in whose names the Global Subordinated Note is registered on the Register on the close of business on the sixth Business Day before the due date for payment (the “**Record Date**”). A record of each payment so made on the Global Subordinated Note distinguishing between any payment of principal and/or payment of interest, will be noted on the Register and endorsed on the schedule to the Global Subordinated Note by or on behalf of the Principal Paying Agent, which record shall be prima facie evidence that such payment has been made. Payments in respect of the Global Subordinated Note will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(b) **Definitive Subordinated Notes**

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Subordinated Notes would be reduced to zero (including as a result of any other payment of principal due in respect of such Subordinated Notes), in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Subordinated Notes) in respect of Definitive Subordinated Notes will be made by sterling cheque drawn on a bank in London mailed to the holder (or to the first-named of joint holders) of such Definitive Subordinated Note at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Definitive Subordinated Note is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) so paid. For the purposes of this Subordinated Note Condition 6, the holder of a Definitive Subordinated Note will be deemed to be the person shown as the holder (or the first named of joint holders) on the Register on the Record Date.

Upon application by the holder of a Definitive Subordinated Note to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Subordinated Note, such payment will be made by transfer to a sterling account maintained by the payer 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 such Definitive Subordinated Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) Payments of principal and interest in respect of the Subordinated Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

- (d) If payment of principal is improperly withheld or refused on or in respect of any Subordinated Note or part thereof, the interest which continues to accrue in respect of such Subordinated Note in accordance with Subordinated Note Condition 4(a) will be paid to the extent received against presentation of such Subordinated Notes at the specified office of the Paying Agents (in respect of the Global Subordinated Note) and in accordance with this Subordinated Note Condition 6 (in respect of any Definitive Subordinated Note). If any payment due in respect of the Global Subordinated Note is not paid in full, the Principal Paying Agent will endorse a record of the amount (if any) so paid on the Global Subordinated Note.
- (e) The initial Paying Agents and their initial specified offices are listed at the end of these Subordinated Note Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents.
- (f) If the Global Subordinated 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 Subordinated Note. For the purpose of this Subordinated Note Condition 6, “**Business Day**” means a day (other than Saturday and Sunday) on which banks are open for business in London and Paris and in any case where presentation or surrender of a Global Subordinated Note is required, in the place where the Global Subordinated Note is presented or surrendered.
- (g) If, upon due presentation upon a relevant Payment Date, payment of the relevant amount of principal or interest is improperly withheld or refused on or in respect of the Global Subordinated Note or part thereof by the Paying Agents, the Issuer will indemnify the Trustee on behalf of the relevant affected Subordinated Noteholders by paying to the Trustee on behalf of such Subordinated 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 Subordinated Note Condition 4 if payment of such amount had been paid by the Issuer to the Subordinated Noteholders on the relevant Payment Date (as well after as before any judgment or decree) up to (but excluding) the date on which all sums due in respect of the Global Subordinated Note up to that day are received by the relevant Subordinated Noteholders, payment under such indemnity to be due without demand from the relevant Payment Date.

Condition 7: Prescription

Claims for principal and interest in respect of the Global Subordinated Note shall become void unless presented for payment of principal within a period of 10 years from the Relevant Date in respect thereof and five years in respect of payment of interest. Claims for principal and interest in respect of Definitive Subordinated Notes shall become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate Relevant Date. After the date on which a Subordinated Note becomes void in its entirety, no claim may be made in respect thereof. In this Subordinated Note Condition, the “**Relevant Date**” in respect of a Subordinated 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 Subordinated 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 is duly given to the Subordinated Noteholders in accordance with Subordinated Note Condition 15.

Condition 8: Taxation

All payments in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment 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 Subordinated Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessment 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 Principal Paying Agent, any other Paying Agent, the Seller, the Issuer nor any other person will be obliged to make any additional payments to holders of Subordinated Notes in respect of such withholding or deduction.

Condition 9: Events of Default

- (a) Upon the Trustee serving an Enforcement Notice in accordance with Condition 10 of the Notes that the Notes are due and payable (an “**Event of Default**”) (subject to the Trustee being indemnified and/or secured to its satisfaction), the Trustee shall give notice (an “**Enforcement Notice**”) to the Issuer declaring the Subordinated Notes to be due and repayable.
- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Subordinated Notes are due and repayable, the Subordinated Notes shall immediately become due and repayable by first applying amounts (if any) remaining to the credit of the Reserve Ledger (including any Reserve Fund Excess) to the extent such amounts are available for this purpose.
- (c) So long as any part of the Subordinated Notes remain outstanding the Issuer will, upon becoming aware of the occurrence of any Event of Default, give notice in writing thereof to the Trustee and the Swap Counterparty.

Condition 10: Enforcement of Subordinated Notes

At any time after the Subordinated Notes have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Subordinated Notes together with accrued interest. The Trustee shall not be bound to take any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the Subordinated Noteholders and (y) it shall have been indemnified and/or secured to its satisfaction. No Subordinated Noteholder may take any action against the Issuer to enforce its rights in respect of the Subordinated Notes or to enforce all or any of the security constituted by the Issuer Security Deed otherwise than through the Trustee unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

Condition 11: Meetings of Subordinated Noteholders, Modifications, Consents, Waiver

The Trust Deed contains provisions for convening meetings of Subordinated Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Subordinated Noteholders of any modification of the Subordinated Notes (including these Subordinated Note Conditions as they relate to the Subordinated Notes, as the case may be) or the provisions of any of the Transaction Documents, provided that no modification of certain terms by the Subordinated Noteholders including, *inter alia*, the date of maturity of the Subordinated Notes or a modification which would have the effect of postponing any day for payment of interest in respect of the Subordinated Notes, the reduction or cancellation of the amount of principal payable in respect of the Subordinated Notes or any alteration of the priority of such Subordinated Notes (any such modification in respect of Subordinated Notes being referred to below as a “**Basic Terms Modification**”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the Subordinated Noteholders 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 Subordinated Notes then outstanding, or, at any adjourned meeting, two or more persons being or representing the Subordinated Noteholders, whatever the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding, 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 in the aggregate 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 Subordinated Notes then outstanding. The quorum at any meeting of the Subordinated Noteholders 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 five per cent. of the aggregate Principal Amount Outstanding of the Subordinated Notes or, at any adjourned meeting, two or more persons being or representing the Subordinated Noteholders, whatever the aggregate Principal Amount Outstanding of the Subordinated Notes then outstanding so held.

For so long as the Subordinated Notes (whether being Definitive Subordinated Notes or represented by Global Subordinated Notes) of any class are held by one party, such party and/or any proxy or representative for such party shall constitute two persons for the purposes of forming a quorum of that class of Subordinated Noteholders.

Other than in relation to Instrumentholder Entrenched Rights, in respect of the interests of the Subordinated Noteholders, the Trust Deed contains provisions requiring the Trustee not to have regard

to the interests of the Subordinated Noteholders as regards all powers, trusts, authorities, duties and directions of the Trustee. The Trustee may only be directed by the Subordinated Noteholders and any Extraordinary Resolution of the Subordinated Noteholders will only be effective if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any or all of the Noteholders, the MERC Holders and the R Certificateholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders, the MERC Holders and the R Certificateholders.

An Extraordinary Resolution of the Subordinated Noteholders shall be effective when, *inter alia*, the Trustee is of the opinion that it will not be materially prejudicial to the interests of any class of the Noteholders or the MERC Holders or the R Certificateholders or it is sanctioned by an Extraordinary Resolution of the holders of each class of Notes and the MERC Holders and the R Certificateholders.

Any resolution or direction of any class of Noteholders or Instrumentholders that would have the effect of modifying or waiving any provision of any of the Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Instrumentholders (such right of each class of Instrumentholders, the “**Instrumentholder Entrenched Rights**”).

An Extraordinary Resolution passed at any meeting of the Subordinated Noteholders shall be binding on all Subordinated Noteholders, 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.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the Subordinated Noteholders, (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Subordinated Notes (including these Subordinated Note Conditions) or any of the Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Subordinated Noteholders or (b) to any modification of the Subordinated Notes (including these Subordinated Note Conditions) or any of the Transaction Documents, which in the Trustee’s opinion is to correct a manifest error or is of a formal, minor or technical nature. Any such modification, waiver, authorisation or determination shall be binding on the Subordinated Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to such Subordinated Noteholders in accordance with Subordinated Note Condition 15 as soon as practicable thereafter.

Condition 12: Indemnification and Exoneration of the Trustee

- (a) 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 and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and 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 Servicer or by a clearing organisation or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.
- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Paying Agency Agreement and in connection with the Subordinated Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Subordinated Noteholders.
- (d) The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Subordinated Noteholders in accordance with Subordinated Note Condition 15.

Condition 13: Definitive Subordinated Notes

Definitive Subordinated Notes will only be issued if 40 days or more after the Issue Date any of the following apply:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the Subordinated Notes which would not be required if the Subordinated Notes were in definitive form.

If Definitive Subordinated Notes are issued, the beneficial interests represented by the Global Subordinated Note shall be exchanged in whole (but not in part) by the Issuer for Definitive Subordinated Notes in the aggregate amount equal to the Principal Amount Outstanding of the Global Subordinated Note, subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the Global Subordinated Note.

Condition 14: Replacement of Global Subordinated Notes and Definitive Subordinated Notes

If any Global Subordinated Note or Definitive Subordinated Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Subordinated Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Global Subordinated Notes or Definitive Subordinated Notes must be surrendered before new ones will be issued.

Condition 15: Notice to Subordinated Noteholders

Any notice to the Subordinated Noteholders shall be validly given if either 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 Dublin or published on the Relevant Screen. Any such notice shall be deemed to have been given to the Subordinated Noteholders 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 Subordinated Noteholders or any class of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Subordinated Notes are then listed and provided that notice of such other method is given to the Subordinated Noteholders in such manner as the Trustee shall require.

For so long as the Subordinated Notes are represented by a Global Subordinated Note, notices to Subordinated Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication to the relative Accountholders rather than by publication as required by this Subordinated Note Condition 15.

Condition 16: Non Petition

The Subordinated Noteholders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed):

- (a) to direct the Trustee to enforce the Security other than when expressly permitted to do so under Subordinated Note Condition 10; or
- (b) to take or join any person in taking steps against the Issuer for the purpose to obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or

- (d) to take any steps or proceedings which would result in the Priorities of Payments not being observed.

Condition 17: Rights of Third Parties

No rights are conferred on any third person (other than the Subordinated Noteholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Subordinated Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

Condition 18: European Economic and Monetary Union

- (a) The Issuer may, without the consent of the Subordinated Noteholders on giving at least 30 days' prior notice to the Trustee and the Paying Agents designate a date (the "**Redenomination Date**"), being a Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) Notwithstanding the other provisions of these Subordinated Note Conditions, with effect from the Redenomination Date:
- (i) the Subordinated Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a principal amount for each such Subordinated Note equal to the Principal Amount Outstanding of that Subordinated Note in sterling converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro 0.01 of securities denominated in sterling 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 Subordinated Noteholders, each stock exchange (if any) on which the Subordinated Notes are then listed and the Paying Agents of such deemed amendments;
 - (ii) if the Subordinated Notes have been issued in definitive form:
 - (A) the payment obligations contained in all Subordinated Notes will become void on the euro exchange date but all other obligations of the Issuer thereunder (including the obligation to exchange such Subordinated Notes in accordance with this Subordinated Note Condition 18), shall remain in full force and effect; and
 - (B) new Subordinated Notes denominated in euro will be issued in exchange for Subordinated Notes denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Subordinated Noteholders in the euro exchange notice;
 - (iii) all payments in respect of the Subordinated Notes denominated in euro (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 Participating Member State; and
 - (iv) a Subordinated Note may only be presented for payment on a day which is a business day in the place of presentation. In this Subordinated Note Condition 18, "**business day**" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.
- (c) Following redenomination of Subordinated Notes pursuant to this Subordinated Note Condition 18:
- (i) where such Subordinated Notes have been issued in definitive form, the amount of interest due in respect of the Subordinated Notes will be calculated by reference to the principal amount then outstanding of the Subordinated Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
 - (ii) the amount of interest payable in respect of each such Subordinated Notes on each Payment Date shall be calculated by applying the Rate of Interest to the principal amount then

outstanding of such Subordinated Notes and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); provided, however, that, if the Issuer determines that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Subordinated Noteholders, each stock exchange (if any) on which the Subordinated Notes are then listed and the Paying Agents of such deemed amendment.

(d) In this Subordinated Note Condition 18:

“**EMU**” means European Economic and Monetary Union;

“**euro**” means the single currency introduced on 1 January 1999 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 has adopted the euro as its lawful currency in accordance with the Treaty; and the “**Treaty**” means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam.

Condition 19: CIFG’s Disclaimer of Liability

To the extent permitted under applicable law:

- (a) CIFG will have no liability or responsibility whatsoever under any circumstances for any loss, liability or expense howsoever arising incurred by any person (other than to the Trustee as provided in the following sentence), including but not limited to any Subordinated Noteholder as a result of or in connection with the exercise by CIFG of its rights in accordance with these Conditions, the Subordinated Note Conditions or the Transaction Documents. For the avoidance of doubt, this is without prejudice to the Trustee’s rights or to CIFG’s liability to the Trustee under the Transaction Documents.
- (b) No person including but not limited to any Noteholder or any Subordinated Noteholder (other than the Trustee, the Issuer or the A3b Noteholders) shall be entitled to take any steps or action against or initiate any proceedings in relation to CIFG for the purpose of obtaining any amount due to such person under the Conditions, the Subordinated Note Conditions or the Transaction Documents or otherwise or for the purpose of recovering any amount in compensation for any loss or damage suffered by such person or any other person.

Condition 20: Governing Law

The Transaction Documents and the Subordinated Notes are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

TERMS AND CONDITIONS OF THE R CERTIFICATES

The following is the text of the R Certificate Conditions which (subject to amendment and completion) will be endorsed on or attached to each Global R Certificate and each Definitive R Certificate (if and to the extent applicable) and (subject to the provisions thereof) will apply to each such R Certificate.

The R Certificates (“**R Certificates**”) of Alba 2006 — 1 plc (the “**Issuer**”) are constituted by a trust deed (the “**Trust Deed**”) expected to be dated on or prior to 16 June 2006 (or such other later date as may be agreed between the Issuer, the Trustee and the Lead Manager) (the “**Issue Date**”) between the Issuer, CIFG and HSBC Trustee (C.I.) Limited (the “**Trustee**”, which expression includes the trustee or trustees for the time being under the Trust Deed) as trustee for holders of the R Certificates (“**R Certificate-holders**”) and in relation to the Definitive R Certificates (as defined below), Definitive R Certificate-holders, and in relation to Global R Certificates (as defined below), Global R Certificateholders. The R Certificates will have the benefit of (to the extent applicable) a paying agency agreement (the “**Paying Agency Agreement**”) dated on or prior to the Issue Date, as amended or supplemented from time to time between the Issuer, the Trustee, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”), as transfer agent (the “**Transfer Agent**”) and as agent bank (the “**Agent Bank**”), HSBC Bank plc as registrar (the “**Registrar**”) and HSBC Institutional Trust Services (Ireland) Limited as Irish Paying Agent (the “**Irish Paying Agent**” and, together with the Principal Paying Agent, the “**Paying Agents**”).

In these conditions (the “**R Certificate Conditions**”), all references to “**Registrar**”, “**Agent Bank**” and “**Paying Agent**” shall mean any registrar, agent bank or paying agents appointed from time to time in accordance with the Paying Agency Agreement 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 R Certificate Conditions, capitalised words and expressions shall, unless otherwise defined herein, have the same meanings as those given in the incorporated terms memorandum (the “**Incorporated Terms Memorandum**”) dated the Issue Date between, *inter alios*, the Issuer, the Trustee and the Principal Paying Agent.

These R Certificate Conditions include summaries of, and are subject to, the detailed provisions of the following agreements, dated on or prior to the Issue Date and as amended or supplemented from time to time: the Trust Deed (which includes the form of the R Certificates), the Paying Agency Agreement and a security deed between, *inter alios*, the Issuer and the Trustee (the “**Issuer Security Deed**”). Copies of the Trust Deed, the Paying Agency Agreement, the Issuer Security Deed and the other Transaction Documents are available for inspection during usual business hours at the specified office of the Principal Paying Agent. The R Certificateholders 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 and the Issuer Security Deed. The Issuer may not purchase any R Certificates.

If R Certificates in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Definitive R Certificates would be as set out below. While the R Certificates remain in global form, the same terms and conditions govern such R Certificates, except to the extent that they are appropriate only to R Certificates in definitive form.

Condition 1: Form and Title

R Certificates will be represented by a global certificate in registered form (a “**Global R Certificate**”).

If R Certificates in definitive form are issued pursuant to R Certificate Condition 13, a definitive certificate in respect of each R Certificate represented by the Global R Certificate (the “**Definitive R Certificates**”) will be issued in registered form and serially numbered.

Title to the Global R Certificates and Definitive R Certificates will pass upon registration in the register (the “**Register**”) which the Issuer shall procure to be kept by the Registrar. Registered holders of the Global R Certificates or Definitive R Certificates 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 R Certificates or Definitive R Certificates, 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.

For so long as the R Certificates are represented by Global R Certificates, the Issuer and the Trustee may (but shall not be obliged to) (to the fullest extent permitted by applicable laws) deem and treat each

person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of the particular number of R Certificates (each, an “**Accountholder**”) as the holder of such number of R Certificates (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the R Certificateholders), other than for the purposes of making payments on such Global R Certificates, the right to which shall be vested, as against the Issuer and the Trustee, solely in the registered holder of the relevant Global R Certificate in accordance with and subject to the terms of the Trust Deed.

Transfers and exchanges of beneficial interests in Global R Certificates will be effected subject to and in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as appropriate.

On the Issue Date, HSBC Bank plc will be appointed custodian (the “**Custodian**”) of all the Global R Certificates and, accordingly, the Custodian will, for so long as the R Certificates remain outstanding, be and shall remain the sole R Certificateholder and a person who is entitled to be paid Residual Payments without withholding or deduction for or on account of United Kingdom withholding tax. The Custodian will act as agent of, and custodian for, investors (each, an “**R Certificates Investor**”) from time to time in the R Certificates. It shall be a condition of the ownership of any R Certificate that the initial R Certificates Investor or R Certificates Investors and any subsequent R Certificates Investor from time to time accedes to the agreement (the “**Custodian Agreement**”) pursuant to which the Custodian agrees to hold the R Certificates on behalf of the R Certificates Investor or R Certificates Investors. The Custodian will be entitled to resign at any time subject to a replacement Custodian being appointed with effect from the time the resignation is to take effect. The Trustee will be entitled to terminate the appointment of the Custodian in certain circumstances (more particularly set out in the Custodian Agreement) but the R Certificates Investor or R Certificates Investors will have no right to terminate the appointment of the Custodian.

Condition 2: Status, Ranking and Security

- (a) The R Certificates are constituted by the Trust Deed. The Issuer will issue 100 R Certificates on the Issue Date.
- (b) The R Certificates constitute direct, secured (as more particularly described in the Issuer Security Deed) and unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst each other.
- (c) The Issuer Security 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 Issuer Security Deed 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.
- (d) As security for the payment of all monies payable in respect of the R Certificates, the Issuer will enter into the Issuer Security Deed, 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) a first fixed charge over all the Issuer’s right, title, interest and benefit in, *inter alia*, the Mortgage Loans and Related Security;
 - (ii) a first fixed charge over the Issuer’s right, title, interest and benefit in the Issuer Transaction Account and any other bank account of the Issuer from time to time;
 - (iii) an assignment over all the Issuer’s right, title, interest and benefit in:
 - (a) the Mortgage Sale Agreements;
 - (b) the Servicing Agreements;
 - (c) the Special Servicer Agreements;
 - (d) the Cash Management, Master Servicing and Account Bank Agreement;
 - (e) the Paying Agency Agreement
 - (f) the Liquidity Facility Agreement;
 - (g) the Guaranteed Investment Contract;

- (h) the Interest Rate Cap Agreement;
 - (i) the Interest Rate Swap Agreement;
 - (j) the Collection Accounts Declaration of Trust;
 - (k) the Corporate Services Agreement;
 - (l) the CIFG Note Guarantee;
 - (m) the Guarantee and Reimbursement Agreement;
 - (n) the Incorporated Terms Memorandum (together with the documents listed at paragraphs (a) to (m), and the Post Enforcement Call Option Deed, the Trust Deed and the Custodian Agreement, the “**Transaction Documents**”);
 - (o) the Insurance Policies; and
 - (p) all other contracts, agreements, deeds and documents entered into by the Issuer from time to time,
- (iv) a floating charge (ranking after the fixed security referred to above) over the whole of the undertaking, property, assets and rights of the Issuer which are not, at any time, covered by the fixed security described above.
- (e) ***Pre-Enforcement Interest Priority of Payments***

Prior to the service of an Enforcement Notice by the Trustee, the Cash Manager, on behalf of the Issuer, is required to apply Available Revenue Funds on each Payment Date in making the following payments or provisions in the following order of priority (in each case only to the extent that payments or provisions of a higher priority have been made in full) after which the Liquidity Drawn Amount (if any) will be applied in or towards the Revenue Shortfalls only (the “**Pre-Enforcement Interest Priority of Payments**”) (in each case only to the extent that the payments or provisions of a higher priority have been made in full) on each Payment Date:

- (i) *first*, to pay the remuneration due and payable to the Trustee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by it in acting pursuant to the Trust Deed and/or the Issuer Security Deed together with interest thereon as provided in the Trust Deed and/or the Issuer Security Deed;
- (ii) *second*, to pay amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are due and payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed or the Issuer Security Deed and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer after that Payment Date and to provide for the Issuer’s liability or possible liability for corporation tax;
- (iii) *third*, to pay *pari passu* and *pro rata*:
 - (A) the servicing fee due and payable to the Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date of the Servicer is terminated and a substitute is appointed, the servicing fee above will reflect the fee schedule agreed with such substitute servicer in accordance with the procedures set out in the relevant Servicing Agreement;
 - (B) the special servicing fee due and payable to the Special Servicer (plus value added tax, if any) during the Calculation Period immediately prior to the relevant Calculation Date;
 - (C) amounts due to the Paying Agents, the Agent Bank, the Transfer Agent and the Registrar under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement and amounts due to the Account Bank, the Cash Manager and the Master Servicer (inclusive of value added tax, if any) and under the Cash Management, Master Servicing and Account Bank Agreement;
- (iv) *fourth*, in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider in accordance with the Liquidity Facility Agreement;

- (v) *fifth*, to pay *pari passu* and *pro rata*:
 - (A) amounts due and payable to the Swap Counterparty including (a) scheduled payments due under the Interest Rate Swap Agreement and (b) any termination payment due under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions (except for any relevant Swap Counterparty Default Payment where “**Swap Counterparty Default Payment**” means any termination payment due or payable under the Interest Rate Swap Agreement as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Swap Counterparty (as such terms are defined in the Interest Rate Swap Agreement)); and
 - (B) amounts due and payable to the Cap Provider including (a) scheduled payments due under the Interest Rate Cap Agreement and (b) any termination payment due under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction (except for any Cap Provider Default Payment where “**Cap Provider Default Payment**” means any termination payment due or payable under the Interest Rate Cap Agreement as a result of the occurrence of an Event of Default where the Cap Provider is the Defaulting Party or an Additional Termination Event relating to the downgrade or withdrawal of the credit rating of the Cap Provider (as such terms are defined in the Interest Rate Cap Agreement)); and
 - (C) amounts due and payable to a replacement swap counterparty to the extent not satisfied from any collateral provided by the Swap Counterparty together with the termination payment (if any) made by the Swap Counterparty; and
 - (D) amounts due and payable to a replacement cap provider to the extent not satisfied from any collateral provided by the Cap Provider together with the termination payment (if any) made by the Cap Provider;
- (vi) *sixth*, to pay *pari passu* and *pro rata*
 - (A) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (B) amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vii) *seventh*, to pay amounts to be credited to the A Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the A Notes in accordance with Condition 5) until the balance of the A Principal Deficiency Sub-Ledger has reached zero;
- (viii) *eighth*, to pay amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders);
- (ix) *ninth*, to pay amounts to be credited to the B Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the B Notes in accordance with Condition 5) until the balance of the B Principal Deficiency Sub-Ledger has reached zero;
- (x) *tenth*, to pay amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders);
- (xi) *eleventh*, to pay amounts to be credited to the C Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the C Notes in accordance with Condition 5) until the balance of the C Principal Deficiency Sub-Ledger has reached zero;

- (xii) *twelfth*, to pay amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders);
- (xiii) *thirteenth*, to pay amounts to be credited to the D Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the D Notes in accordance with Condition 5) until the balance of the D Principal Deficiency Sub-Ledger has reached zero;
- (xiv) *fourteenth*, to pay amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders);
- (xv) *fifteenth*, to pay amounts to be credited to the E Principal Deficiency Sub-Ledger (such amounts to be applied in redemption of the E Notes in accordance with Condition 5) until the balance of the E Principal Deficiency Sub-Ledger has reached zero;
- (xvi) *sixteenth*, to credit the Reserve Ledger, until the balance of the Reserve Fund equals the Reserve Fund Required Amount;
- (xvii) *seventeenth*, to retain in the Issuer Transaction Account as the Issuer's profit, an amount equal to one quarter of 0.01 per cent. of the product of the weighted average Mortgage Rate of the Mortgage Loans at the end of the preceding Collection Period and the aggregate principal balance outstanding of the Mortgage Loans at the end of the preceding Collection Period;
- (xviii) *eighteenth*, in or towards *pari passu* and *pro rata* payment of:
 - (A) any Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty together with any amounts received by the Issuer from a replacement swap counterparty in respect of replacement swap transactions; and
 - (B) any Cap Provider Default Payment payable to the Cap Provider under the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider together with any amounts received by the Issuer from a replacement cap provider in respect of replacement cap transactions;
- (xix) *nineteenth*, to pay amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* to the respective interest entitlements of the Subordinated Noteholders);
- (xx) *twentieth*, to pay *pari passu* to the holders of the Subordinated Notes in respect of principal due and payable of the Subordinated Notes; and
- (xxi) *twenty-first*, in and towards amounts payable in respect of the R Certificateholders.

(f) ***Post-Enforcement Priority of Payments***

After service of an Enforcement Notice by the Trustee, the Trustee shall apply all funds received by it or on behalf of the Issuer and from the proceeds of enforcement of the Security (excluding amounts in respect of Mortgage Early Repayment Charges) make payments in the following order of priority (the "**Post-Enforcement Priority of Payments**" and together with the Pre-Enforcement Priorities of Payments, the "**Priorities of Payments**" and each a "**Priority of Payments**") pursuant to, in accordance with and as set out in the Issuer Security Deed:

- (i) *first*, to pay, *pro rata* and *pari passu*, any remuneration then due to any liquidator or 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 liquidator or receiver together with interest thereon and to pay the fees, costs, expenses and liabilities due to the Trustee (plus value added tax, if any) in acting pursuant to the Trust Deed and the Issuer Security Deed;
- (ii) *second*, to pay, *pro rata* and *pari passu*, the fees, costs, interest, expenses and liabilities due to the Servicer under the Servicing Agreements, the Cash Manager, the Master Servicer and the Account Bank under the Cash Management, Master Servicing and Account Bank Agreement,

the Special Servicer under the Special Servicer Agreements, the Paying Agents, the Agent Bank, the Registrar and the Transfer Agent under the Paying Agency Agreement, the GIC Provider under the Guaranteed Investment Contract, the Custodian under the Custodian Agreement and the Corporate Services Provider and the Share Trustee under the Corporate Services Agreement;

- (iii) *third*, in payment in or towards payment of interest, principal and any other amounts due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (iv) *fourth, pro-rata and pari passu* in payment in or towards amounts due and payable to:
 - (a) the Swap Counterparty pursuant to the Interest Rate Swap Agreement to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap counterparty in respect of a replacement swap transaction, if any, (except for any relevant Swap Counterparty Default Payment); and
 - (b) the Cap Provider pursuant to the terms of the Interest Rate Cap Agreement to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap provider in respect of a replacement cap transaction, if any, (except for any relevant Cap Provider Default Payment);
- (v) *fifth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the A Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the A Noteholders);
 - (b) *pari passu* to the holders of the A Notes in respect of principal of the A Notes until no A Notes remain outstanding;
 - (c) all amounts then due to CIFG under the Guarantee and Reimbursement Agreement (including pursuant to any right of subrogation CIFG has acquired in respect of any payment made by CIFG under the CIFG Note Guarantee) and under the CIFG Fee Letter, plus any previous unpaid fees under the CIFG Fee Letter with accrued and unpaid interest thereon;
- (vi) *sixth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the B Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the B Noteholders); and
 - (b) *pari passu* to the holders of the B Notes in respect of principal of the B Notes until no B Notes remain outstanding;
- (vii) *seventh*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the C Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the C Noteholders); and
 - (b) *pari passu* to the holders of the C Notes in respect of principal of the C Notes until no C Notes remain outstanding;
- (viii) *eighth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the D Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the D Noteholders); and
 - (b) *pari passu* to the holders of the D Notes in respect of principal payable in respect of the D Notes until no D Notes remain outstanding.
- (ix) *ninth*, to pay *pro rata* and *pari passu*:
 - (a) amounts (other than in respect of principal) payable in respect of the E Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the E Noteholders); and

- (b) *pari passu* to the holders of the E Notes in respect of principal of the E Notes until no E Notes remain outstanding;
- (x) *tenth, pro rata and pari passu* in or towards payment of:
 - (a) any Swap Counterparty Default Payment to the extent not satisfied from any collateral provided by the Swap Counterparty and any amounts received by the Issuer from a replacement swap transaction, if any, payable to the Swap Counterparty under the terms of the Interest Rate Swap Agreement; and
 - (b) any Cap Provider Default Payment to the extent not satisfied from any collateral provided by the Cap Provider and any amounts received by the Issuer from a replacement cap transaction, if any, payable to the Cap Provider under the Interest Rate Cap Agreement;
- (xi) *eleventh, pari passu* to the holders of the MERCs to pay amounts payable in respect of the MERCs;
- (xii) *twelfth, to pay pari passu and pro rata*:
 - (a) amounts (other than in respect of principal) payable in respect of the Subordinated Notes (such amounts to be paid *pro rata* according to the respective interest entitlements of the Subordinated Noteholders); and
 - (b) *pari passu* to the holders of the Subordinated Notes in respect of principal of the Subordinated Notes; and
- (xiii) *thirteenth, pari passu* to the holders of the R Certificates to pay amounts payable in respect of the R Certificates.

The Security will become enforceable upon the Trustee giving an Enforcement Notice to the Issuer provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Security or any part thereof unless (i) the Trustee is satisfied or is advised by an investment bank or other financial adviser selected by the Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee is of the opinion, which shall be binding on the Noteholders and the Couponholders, reached after considering at any time and from time to time the advice of such professional advisers as are 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 liability of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Security Deed and/or the Cash Management, Master Servicing and Account Bank Agreement to be paid *pari passu* with, or in priority to, the Notes or (iii) if the Trustee is directed to do so by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes.

Condition 3: Covenants

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not, for so long as any R Certificate remains outstanding (as defined in the Trust Deed), *inter alia*:

- (a) ***Negative Pledge***

create or permit to subsist any mortgage, standard security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;
- (b) ***Restrictions on Activities***
 - (i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
 - (ii) open any account whatsoever with any 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 R Certificate Condition 2 and if so charged, the Issuer will obtain confirmation from such bank or financial institution that it will not exercise any right of set-off against the Issuer;

- (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 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 any 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 IX of Part X of the Income and Corporation Taxes Act 1988;
- (h) **Other**
permit any of the Transaction Documents, the insurance contracts relating to the Mortgage Loans owned by the Issuer or the priority of the security interest 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 R Certificate Conditions, or permit any party to any of the Transaction Documents or insurance contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient in the interests of the R Certificateholders.

The Trustee shall not be responsible for monitoring, nor liable for any failure to monitor compliance by the Issuer with the above covenants and will be entitled to rely upon certificates signed on behalf of the Issuer as to compliance.

Condition 4: Residual Payments

- (a) **Entitlement**
Each R Certificate bears a *pro rata* entitlement to receive a payment (“**Residual Payment**”) in respect of amounts equal to the residual amount available for such purpose in accordance with the Pre-Enforcement Interest Priority of Payments or Post-Enforcement Priority of Payments, as applicable, following payment of or provision for all higher ranking items. The Residual Payment shall be equal to the residual amount available for such purpose in accordance with the Pre-Enforcement Interest Priority of Payments or Post-Enforcement Priority of Payments, as applicable, (following payment of or provision for all higher ranking items) divided by the number of R Certificates existing on the third Business Day prior to a Payment Date (each such date a “**Calculation Date**”). Following payment of or provision for all higher rating items in the Pre-Enforcement Interest Priority of Payments or Post-Enforcement Priority of Payments, as applicable, if there are no available amounts to be applied as Residual Payments the R Certificateholders will have no further claim against the Issuer.
- (b) **Payment**
Subject to R Certificate Condition 6, Residual Payments, to the extent there are amounts available for such purpose, are payable in sterling on 21 August, and thereafter quarterly in arrear on the

21st day in November, February, May and August in each year or on the following Business Day if such day is not a Business Day (each such date a “**Payment Date**”). “**Business Day**” means a day (other than Saturday or Sunday) on which banks are open for business in London and Paris.

- (c) The Custodian will, upon receipt on any Payment Date of the aggregate of the Residual Payments from the Issuer or the Paying Agent, as the case may be, pay to each Investor, in accordance with the Custodian Agreement, that part of such aggregate amount as represents that Investor’s *pro rata* share of that aggregate amount subject to deduction for or an account of UK income tax to the extent required by law at the applicable rate from time to time unless, not more than 5 Business Days but not less than 2 Business Days prior to that Payment Date, the Custodian has received from that Investor either:
- (i) a certificate confirming that such Investor is a person within the charge to UK corporation tax; or
 - (ii) that Investor provides to the Custodian a certificate, attaching a certified copy of a gross payment direction under an applicable double taxation agreement entitling that Investor to receive such payments without deduction for or an account of UK income tax, certifying that such clearance has not been revoked or expired,

whereupon no such deduction shall be made.

(d) ***Determination and Calculation by Trustee***

If the Cash Manager does not at any time for any reason determine and/or calculate the Residual Payment, the Trustee shall determine and calculate the Residual Payment amount in the manner specified in paragraphs (a) and (b) above, and any such determination and/or calculation shall be deemed to have been made by the Cash Manager.

(e) ***Notifications to be Final***

All notifications, opinions, determinations, certificates, calculations and decisions given, expressed, made or obtained for the purposes of this R Certificate Condition 4, whether by the Cash Manager or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Trustee and all R Certificateholders and (in such absence as aforesaid) no liability to the Trustee or the R Certificateholders shall attach to the Issuer, the Cash Manager or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

Condition 5: Transferability

The Custodian from time to time will be the sole R Certificateholder in the records of Euroclear or Clearstream Luxembourg and, forthwith upon the resignation of any Custodian, that Custodian will transfer its interest in the R Certificates to the replacement Custodian.

Condition 6: Cancellation

Following the redemption of all (but not some only) of the Notes or an enforcement of the Notes pursuant to Condition 10 and payment by the Issuer of all sums to be applied pursuant to the Pre-Enforcement Interest Priority of Payments or Post-Enforcement Priority of Payments, as applicable, or, if earlier, purchase of those Notes to be purchased pursuant to the Post-Enforcement Call Option, the R Certificates will be cancelled and will no longer constitute a claim against the Issuer.

Condition 7: Payments

(a) ***Global R Certificates***

Payments of Residual Payments in respect of the Global R Certificate will be made to the persons in whose names the Global R Certificate is registered on the Register at the close of business on the sixth Business Day prior to the relevant Payment Date and, in the case of final redemption of the Global R Certificate, upon surrender of such Global R Certificate at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

(b) **Definitive R Certificates**

Payments of Residual Payments in respect of Definitive R Certificates will be made on each Payment Date to the persons in whose names the Definitive R Certificates are registered on the Register at the close of business on the sixth Business Day prior to the relevant Payment Date and, in the case of final redemption of a Definitive R Certificate, upon surrender of such Definitive R Certificate at the specified office of any Paying Agent. Payments will be made by sterling cheque drawn on a bank in London or by transfer to a sterling account maintained by the payee with a bank in London.

- (c) Payments in respect of the R Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (d) If payment of Residual Payments is improperly withheld or refused on or in respect of any R Certificate or part thereof, the Residual Payments which continue to accrue in respect of such R Certificate in accordance with R Certificate Condition 4 will be paid, to the extent received against (in respect of the Global R Certificate) presentation of such R Certificate at the specified office of any of the Paying Agents and (in respect of any Definitive R Certificate) in accordance with R Certificate Condition 7(b).
- (e) The initial Paying Agents and their initial specified offices are listed at the end of the Global R Certificate or Definitive R Certificate to which these R Certificate 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 Paying Agents.

Condition 8: Prescription

The Global R Certificate shall become void unless presented for payment within a period of five years from the date on which the final Residual Payment first became due. Claims for Residual Payments in respect of Definitive R Certificates shall become void unless made within a period of five years from the date on which the final Residual Payment first became due and payable. After the date on which an R Certificate becomes void in its entirety, no claim may be made in respect thereof.

Condition 9: Taxation

All payments in respect of the R Certificates 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 R Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties assessment 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, the Seller, any other Agent nor any other person will be obliged to make any additional payments to R Certificateholders in respect of such withholding or deduction.

Condition 10: 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, all entitlements of R Certificateholders to any Residual Payments shall be suspended until such time as the Notes have been repaid in full.

Condition 11: Meetings of R Certificateholders, Modifications, Consents, Waiver

The Trust Deed contains provisions for convening meetings of R Certificateholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of R Certificateholders of any modification of the R Certificates (including these R Certificate Conditions) or the provisions of any of the Transaction Documents as they relate to the R Certificates, provided that no modification of certain terms by the R Certificateholders including, *inter alia*, the day of expiry of the R Certificates or a modification which would have the effect of postponing any day for payment of Residual Payments in respect of such R Certificates, the reduction or cancellation of the amount of Residual Payments payable in respect of such R Certificates, the alteration of the majority required to pass an Extraordinary

Resolution or the alteration of the currency of payment of such Residual Payments (any such modification in respect of the R Certificates being referred to below as a “**Basic Terms Modification**”) shall be effective unless such Extraordinary Resolution complies with the relevant terms of the Trust Deed.

The quorum at any meeting of the R Certificateholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. of the R Certificates or, at any adjourned meeting, two or more persons being or representing any R Certificateholders whatever R Certificates 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 R Certificates. The quorum at any meeting of the R Certificateholders 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 R Certificates or, at any adjourned meeting, two or more persons being or representing the R Certificateholders, whatever the R Certificates so held. In the event there is one holder of a Global R Certificate or all Definitive R Certificates, such person will be deemed to constitute two persons for the purposes of forming a quorum for such meetings in accordance with this paragraph.

Other than in relation to Instrumentholder Entrenched Rights, in respect of the interests of the R Certificateholders, the Trust Deed contains provisions requiring the Trustee not to have regard to the interests of the R Certificateholders as regards all powers, trusts, authorities, duties and directions of the Trustee. The Trustee may only be directed by the R Certificateholders and any Extraordinary Resolution of the R Certificateholders will only be effective if the Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any or all of the Noteholders, the MERC Holders and the Subordinated Noteholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders, the MERC Holders and the Subordinated Noteholders.

An Extraordinary Resolution of the R Certificateholders 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 B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders or the Subordinated Noteholders, or it is sanctioned by an Extraordinary Resolution by the A1 Noteholders, the A2 Noteholders, the A3 Noteholders, the B Noteholders, the C Noteholders, the D Noteholders, the E Noteholders, the MERC Holders and the Subordinated Noteholders.

Any resolution or direction of any class of Noteholders or Instrumentholders that would have the effect of modifying or waiving any provision of any of the Priorities of Payments shall not be effective unless it has been sanctioned by an Extraordinary Resolution of each class of Noteholders and Instrumentholders (such right of each class of Instrumentholders, the “**Instrumentholder Entrenched Rights**”).

An Extraordinary Resolution passed at any meeting of the R Certificateholders shall be binding on all R Certificateholders, 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.

Subject to the succeeding paragraph, the Trustee may agree, without the consent of the R Certificateholders (a) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the R Certificates (including these R Certificate Conditions) or any of the Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the R Certificateholders, or (b) to any modification of the R Certificates (including these R Certificate Conditions) or any of the Transaction Documents which in the Trustee’s opinion is to correct a manifest error or is of a formal, minor or technical nature. The Trust Deed provides that a resolution in writing signed by, or on behalf of, the holders of not less than 75 per cent. of the R Certificates who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such R Certificateholders duly convened and held.

Condition 12: Indemnification and Exoneration of the Trustee

- (a) The Trust Deed and the Issuer Security Deed contain 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 and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, *inter alios*, the Issuer and 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 R Certificates, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

- (b) The Trust Deed provides that the Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the properties secured by the Mortgages.
- (c) In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- (d) The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.
- (e) The Issuer shall at all times maintain a Paying Agent, a principal paying agent and an agent bank. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with R Certificate Condition 15.

Condition 13: Definitive R Certificates

Definitive R Certificates will only be issued in the following limited circumstances:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
- (b) by reason of any amendment to, or change in, the laws or regulations of England and Wales, the Issuer is or will be required to make any deduction or withholding from any payment in respect of the R Certificates which would not be required if the R Certificates were in definitive form; or
- (c) the Issuer would suffer a material disadvantage in respect of the R Certificates as a result of a change in the laws or regulations (taxation or otherwise), (or in the interpretation, application or administration of the same) of any applicable jurisdiction (including payments being made net of tax) which would not be suffered were the relevant R Certificates in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee.

If Definitive R Certificates are issued, the beneficial interests represented by the Global R Certificate shall be exchanged by the Issuer for Definitive R Certificates in an amount proportionate to the beneficial interests represented by the Global R Certificate subject to and in accordance with the detailed provisions of the Paying Agency Agreement, the Trust Deed and the Global R Certificate.

Condition 14: Replacement of Definitive R Certificates

If any R Certificate 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 R Certificate 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 R Certificates must be surrendered before new ones will be issued.

Condition 15: Notice to R Certificateholders

Any notice to the R Certificateholders shall be validly given if either 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 Dublin or published on the Relevant Screen. Any such notice shall be deemed to have been given to the R Certificateholders 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 R Certificateholders 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 R Certificates are then listed and provided that notice of such other method is given to the R Certificateholders in such manner as the Trustee shall require.

Condition 16: Non Petition

The R Certificateholders shall not be entitled to take any steps (otherwise than in accordance with the Issuer Security Deed):

- (a) to direct the Trustee to enforce the Security; or
- (b) to take or join any person in taking steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it; or
- (c) to initiate or join any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer; or
- (d) to take any steps or proceedings which would result in the Priorities of Payments not being observed.

Condition 17: Rights of Third Parties

No rights are conferred on any third person (other than the R Certificateholders) under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the R Certificates, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

Condition 18: CIFG's Disclaimer of Liability

To the extent permitted under applicable law:

- (a) CIFG will have no liability or responsibility whatsoever under any circumstances for any loss, liability or expense howsoever arising incurred by any person (other than to the Trustee as provided in the following sentence), including but not limited to any R Certificateholders as a result of or in connection with the exercise by CIFG of its rights in accordance with these Conditions, the R Certificate Conditions or the Transaction Documents. For the avoidance of doubt, this is without prejudice to the Trustee's rights or to CIFG's liability to the Trustee under the Transaction Documents.
- (b) No person including but not limited to any Noteholder or any R Certificateholders (other than the Trustee, the Issuer or the A3b Noteholders) shall be entitled to take any steps or action against or initiate any proceedings in relation to CIFG for the purpose of obtaining any amount due to such person under the Conditions, the R Certificate Conditions or the Transaction Documents or otherwise or for the purpose of recovering any amount in compensation for any loss or damage suffered by such person or any other person.

Condition 19: Governing Law

The Transaction Documents and the R Certificates are governed by, and shall be construed in accordance with, English law and subject to the jurisdiction of the Courts of England.

UNITED KINGDOM TAXATION

The following is a general description of certain aspects of current United Kingdom law and HM Revenue and Customs practice relating to the United Kingdom taxation of the Notes and the Instruments and is limited to a general consideration of the United Kingdom tax position of persons who are absolute beneficial owners of the Notes and/or the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Notes and/or the Instruments and should therefore be treated with appropriate caution. Some aspects do not apply to certain classes of taxpayer (such as dealers) or to Noteholders or the Instrumentholders where the object, or one of the main objects, of acquiring or holding the Notes and/or the Instruments was or is the securing, whether for the Noteholders or the Instrumentholders or any other person, of a tax advantage.

(A) **United Kingdom Withholding Tax**

Interest payments on the Notes or Subordinated Notes (whether in global or definitive form) will be payable without withholding or deduction for or on account of United Kingdom income tax provided that the Notes or Subordinated Notes are listed on a “**recognised stock exchange**” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (“**ICTA 1988**”). The Irish Stock Exchange is a recognised stock exchange for these purposes.

Interest on the Notes or Subordinated Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on the Notes or Subordinated Notes is paid to a person who belongs in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes or Subordinated Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of United Kingdom income tax.

In other cases, an amount may be required to be withheld from payments on the MERCs or R Certificates on account of United Kingdom income tax at the lower rate (currently 22 per cent.), subject to any direction to the contrary by HMRC under an applicable double taxation treaty and subject to the Custodian being reasonably satisfied that the beneficial owner of the MERCs or R Certificates is within the charge to corporation tax or otherwise subject to an exemption from withholding under s349A ICTA 1988.

Noteholders and Subordinated Noteholders who are individuals may wish to note that HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

(B) **Direct Assessment of Non-United Kingdom Resident Noteholders to United Kingdom Tax on United Kingdom Interest**

Interest on the Notes or Subordinated Notes constitutes United Kingdom source income for United Kingdom tax purposes and, as such may be subject to United Kingdom income tax by direct assessment even where paid without withholding or deduction for or on account of United Kingdom income tax, except in the hands of any Noteholders or Subordinated Noteholders who are exempt from United Kingdom income tax under the terms of an applicable double taxation treaty or otherwise.

However, interest with a United Kingdom source which is received without deduction or withholding for or on account of United Kingdom income tax, is not normally chargeable to United Kingdom tax in the hands of the Noteholders or Subordinated Noteholders (other than certain trustees) who is not resident for tax purposes in the United Kingdom, unless that Noteholder or Subordinated Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment, branch or agency in connection with which the interest is received or to which the Notes or Subordinated Notes are attributable. There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

(C) **Accrued Income Scheme – Individual Noteholders**

For the purposes of the provisions known as the “**Accrued Income Scheme**” (contained in Chapter II of Part XVII of ICTA 1988), a transfer of any Notes or Subordinated Notes by an individual Noteholder or

Subordinated Noteholder who is resident or ordinarily resident in the United Kingdom or any Noteholder or Subordinated Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Notes or Subordinated Notes is attributable, may give rise to a charge to United Kingdom tax on income in respect of an amount treated, under the Accrued Income Scheme, as representing interest accrued on the Notes or Subordinated Notes at the time of the transfer.

(D) Taxation of Chargeable Gains – Individual Noteholders

As a result of the provision for redenomination of the Notes into Euro Notes and the Euro Notes having a non-sterling denomination, it is not expected that the Notes or Subordinated Notes will be treated by HM Revenue and Customs as “**qualifying corporate bonds**” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal (including a redemption) of Notes or Subordinated Notes by any individual Noteholders or Subordinated Noteholders will give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the individual circumstances of the Noteholders or Subordinated Noteholders.

(E) United Kingdom Corporation Tax Payers

In general, Noteholders or Subordinated Noteholders within the charge to United Kingdom corporation tax will not be subject to the taxation treatment set out in paragraphs C or D above. Instead, any profits, gains and losses, and fluctuations in the value of the Notes or Subordinated Notes (whether attributable to currency fluctuations or otherwise) measured and recognised broadly in accordance with their statutory accounting treatment, are taxed or relieved as income. Noteholders or Subordinated Noteholders within the charge to United Kingdom corporation tax are generally charged to tax in each accounting period by reference to interest accrued in that period and other profits recognised in that period.

(F) Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Notes or the Instruments.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement relating to information exchange with certain non-EU countries.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures. In addition, the Member States have entered into certain reciprocal arrangements with certain of those dependent or associated territories.

SUBSCRIPTION AND SALE

The Lead Manager has pursuant to a subscription agreement dated on or about 14 June 2006 among the Lead Manager, the Issuer, CIFG and the Seller (the “**Subscription Agreement**”) agreed with the Issuer to purchase the Notes at the issue price of, in relation to (a) the A1 Notes, 100 per cent. of the aggregate principal amount of the A1 Notes, (b) the A2 Notes, 100 per cent. of the aggregate principal amount of the A2 Notes, (c) the A3a Notes, 100 per cent. of the aggregate principal amount of the A3a Notes, (d) the A3b Notes, 100 per cent. of the aggregate principal amount of the A3b Notes, (e) the B Notes, 100 per cent. of the aggregate principal amount of the B Notes, (f) the C Notes, 100 per cent. of the aggregate principal amount of the C Notes, (g) the D Notes, 100 per cent. of the aggregate principal amount of the D Notes and (h) the E Notes, 100 per cent. of the aggregate principal amount of the E Notes. The Seller has pursuant to a purchase agreement dated on or about 14 June 2006 between the Issuer and the Seller (the “**Instruments Purchase Agreement**”) agreed to accept the delivery of the MERCs and the R Certificates and to purchase the Subordinated Notes at the issue price of 100 per cent. of the aggregate principal amount of the Subordinated Notes.

Both the Subscription Agreement and the Instruments Purchase Agreement are subject to a number of conditions and may be terminated by the Lead Manager in certain circumstances prior to payment for the Notes to the Issuer. The Issuer and the Seller agreed to indemnify the Lead Manager against certain liabilities in connection with the issue of the Notes pursuant to the Subscription Agreement and the Issuer has agreed to indemnify the Seller against certain liabilities in connection with the issue of the Instruments pursuant to the Instruments.

United Kingdom

The Lead Manager has represented to and agreed with the Issuer that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and any state securities laws and may not be offered or sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, US Persons except pursuant to an available 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 Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Issue Date (the “**Distribution Compliance Period**”), within the United States or to, or for the account or benefit of, US Persons (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 Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US Persons.

The Lead Manager has agreed that they have not (and will not), nor has (nor will) any person acting on their behalf, (a) made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act; or (b) engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Notes in the United States.

In addition, until 40 days after the later of the date of the commencement of the offering and the Issue Date, an offer or sale of the Notes within the United States by any dealer (whether or 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.

Ireland

The Lead Manager has represented to and agreed with the Issuer that it will not underwrite or place the Notes in or involving Ireland otherwise than in conformity with the provisions of the Investment Intermediaries Act 1995, of Ireland, as amended, including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof or, in the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20 March, 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989, of Ireland, as amended.

France

The Lead Manager has represented to and agreed with the Issuer that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this document or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-2 of the French *Code monétaire et financier*.

The Netherlands

The Lead Manager has represented, warranted and agreed that the Notes (or interest thereon) may not, have not and will not, directly or indirectly, be offered, sold, pledge, transferred or delivered in the Netherlands, whether at their initial distribution or at any time thereafter, and neither these Listing Particulars 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.

General

Except for listing the Notes on the Official List and delivery of this document to The Companies Registration Office in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of these Listing Particulars or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. These Listing Particulars does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Lead Manager has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

These selling restrictions may be modified by the agreement of the Issuer and the Lead Manager following a change in the relevant law, regulation or directive. Any such modifications will be set out in a supplement to these Listing Particulars.

GENERAL INFORMATION

1. The issue of the Notes and the Instruments has been authorised by resolution of the Board of Directors of the Issuer passed on 8 June 2006.
2. The issue of the CIFG Note Guarantee by CIFG has been authorised by CIFG.
3. Application has been made to the Irish Stock Exchange for the Notes and the Instruments to be admitted to the Official List. It is expected that listing of the Notes and the Instruments on the Official List will be granted on or around 16 June 2006, subject only to the issue of the Notes and the Instruments in global form and assignment of the expected ratings of the Notes and the MERCs by the Rating Agencies as referred to in “*Ratings*” in these Listing Particulars.
4. The Notes and Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	<i>ISIN</i>	<i>Common Code</i>
A1 Notes	XS0254828758	025482875
A2 Notes	XS0254829566	025482956
A3a Notes	XS0254830499	025483049
A3b Notes	XS0254831893	025483189
B Notes	XS0254833089	025483308
C Notes	XS0254833758	025483375
D Notes	XS0254834053	025483405
E Notes	XS0254834301	025483430
MERCs	XS0255419284	025541928
Subordinated Notes	XS0255043050	025504305
R Certificates	XS0255420530	025542053

5. The financial year end of the Issuer is 31 December. The first audited accounts of the Issuer will be prepared for the period ended 31 December 2006.
6. The Issuer is not nor has it been involved in any legal, arbitration or governmental 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.
7. CIFG is not nor has it been involved in any legal, arbitration or governmental proceedings which may have or have had since its date of incorporation a significant effect on its financial position nor is CIFG aware that any such proceedings are pending or threatened.
8. No statutory or non-statutory accounts within the meaning of section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer have been prepared. So long as the Notes and the Instruments are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Irish Paying Agent in Dublin. The Issuer does not publish interim accounts.

Since the date of its incorporation the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business other than the Subscription Agreement and the Instruments Purchase Agreement.

The Issuer did not trade during the period from the date of its incorporation to 14 June 2006 nor has it received any income nor did it occur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has had no commercial operations.

9. The auditors of CIFG are PricewaterhouseCoopers Audit and Mazars & Guérard. Unqualified audited accounts have been prepared in relation to CIFG for the two years immediately preceding the date of these Listing Particulars. PricewaterhouseCoopers Audit and Mazars & Guérard has given, and has not withdrawn, its consent to the inclusion of the financial statements of CIFG for the two years ended 2005 in these Listing Particulars in the form and context in which they are included.
10. Since 17 March 2006 (being the date of incorporation of the Issuer), there has been (a) no significant change in the financial or trading position of the Issuer and (b) no material adverse change in the financial position or prospects of the Issuer.
11. Since 31 December 2004 and other than as set out in these Listing Particulars, there has been (a) no significant change in the financial or trading position of CIFG and (b) no material adverse change in the financial position or prospects of CIFG.

12. Copies of the following documents in hard copy and of certain periodic reports containing information on the Mortgage Pool may be inspected during usual business hours at the offices of HSBC Bank plc at 8 Canada Square, London E14 5HQ for the life of these Listing Particulars:
- (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the constitutive documents of CIFG;
 - (c) the accounts of CIFG for the year ended 31 December 2004 and the report of Pricewaterhouse-Coopers and Mazars & Guérard thereon;
 - (d) the consent referred to in paragraph 9 above;
 - (e) drafts (subject to modification) of the following documents:
 - (i) the Paying Agency Agreement;
 - (ii) the Trust Deed;
 - (iii) the Issuer Security Deed;
 - (iv) the GMAC-RFC Pool Mortgage Sale Agreement;
 - (v) the KMC Pool Mortgage Sale Agreement;
 - (vi) the GMAC-RFC Pool Servicing Agreement;
 - (vii) the KMC Pool Servicing Agreement;
 - (viii) the GMAC-RFC Pool Special Servicer Agreement;
 - (ix) the KMC Pool Special Servicer Agreement;
 - (x) the Guaranteed Investment Contract;
 - (xi) the Liquidity Facility Agreement;
 - (xii) the Incorporated Terms Memorandum;
 - (xiii) the Collection Accounts Declaration of Trust;
 - (xiv) the Cash Management, Master Servicing and Account Bank Agreement;
 - (xv) the CIFG Note Guarantee;
 - (xvi) the Guarantee and Reimbursement Agreement;
 - (xvii) the Interest Rate Cap Agreement;
 - (xviii) the Interest Rate Swap Agreement;
 - (xix) the Post-Enforcement Call Option Deed; and
 - (xx) the Corporate Services Agreement.

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APPENDIX

**FINANCIAL STATEMENTS OF CIFG
(FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 AND 31 DECEMBER 2005)**

CIFG Europe

Statutory Auditors' Report

Financial Statements – Year ended 31 December 2004

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

PRICEWATERHOUSECOOPERS

MAZARS

PRICEWATERHOUSECOOPERS AUDIT

PRICEWATERHOUSECOOPERS

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CIFG Europe

Siège Social : 31-33, rue de Mogador - 75009 Paris
Société Anonyme au capital de 32 000 000 €
N° RCS : Paris B 439 301 912

Statutory Auditors' Report

Financial Statements – Year ended December 31, 2004

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

PRICEWATERHOUSECOOPERS

MAZARS

Statutory Auditors' Report (Translated from French into English)

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification of information in the group management report. This report, together with the statutory auditors' report addressing financial and accounting information in the Presidents' report on internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 2004, on:

- the audit of the accompanying financial statements of CIFG Europe.
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Directoire. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2004, and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 Justification of assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters :

Note II to the financial statements describes the accounting principles and methods, in particular the accounting rules concerning premium and the unearned premium reserve (§ c), deferred acquisition costs as well as their amortization (§ d) and loss reserves (§ e).

When assessing the accounting rules and principles used by your company, we examined the appropriateness of the above mentioned accounting methods, given the specific nature of the business, and we verified the correctness of their application and the disclosures provided in the notes to the financial statements.

Our assessments on these matters were made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

CIFG Europe

*Financial Statements Year
ended 31 December 2004*

3 Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

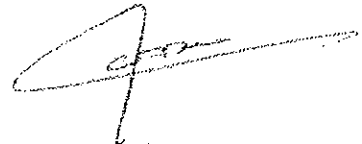
We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Diectoire, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris, March 31st 2005

Statutory Auditors

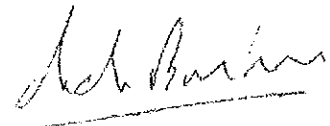
**PRICEWATERHOUSECOOPERS
AUDIT**

Michel Laforce

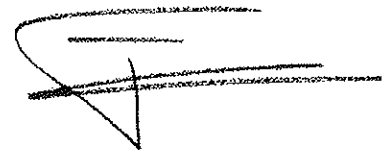


MAZARS & GUÉRARD

Charles de Boisriou



Gilles Magnan



CIFG Europe
Balance Sheet
(In '000 euros)

	As of 31 December	
	2004	2003
Assets		
Investments		
Other investments	€ 29,594	€ 29,651
Share of reinsurers in technical reserves		
Deferred premium revenue	2,842	384
Receivables		
Premium receivable	2,560	1,273
Other receivable	559	452
Other assets		
Fixed assets	13	21
Cash & cash equivalents	2,556	1,760
Deferred acquisition costs	7,711	5,344
Other	257	---
Unrealized foreign exchange	140	68
Total assets	€ 46,232	€ 38,953

Shareholders' Equity and Liabilities

Net equity		
Share capital	€ 32,000	€ 32,000
Retained deficit	(2,084)	(2,032)
Net income (loss) for the period	2,357	(52)
Net equity	32,273	29,916

Deferred premium revenue	7,227	3,798
Loss reserves	1,146	402
Provision for contingent liabilities	358	103
Reinsurance payables	271	114
Staff	2,434	1,832
Tax authorities, social security	390	1,409
Other payables	2,133	1,379
Total shareholders' equity and liabilities	€ 46,232	€ 38,953

Off balance sheet items

	As of 31 December	
	2004	2003
Commitments received	€ 94,716	€ 73,418
Commitments given	20,000	20,000

CIFG Europe
Profit & Loss Statement
(In '000 euros)

	For the year ending			
	31 December 2004	31 December 2003		
Non-Life Insurance Technical Account				
	Gross	Ceded	Net	Net
Earned premiums	€ 8,463	€ (1,015)	€ 7,448	€ 3,434
Written premiums	11,963	(3,480)	8,483	5,228
Change in deferred premium revenue	(3,500)	2,465	(1,035)	(1,794)
Share of net investment income allocated to technical account	60	---	60	69
Other technical income	597	---	597	---
Claim expenses	(745)	---	(745)	(343)
Paid claims	---	---	---	---
Change in loss reserves	(745)	---	(745)	(343)
Acquisition & administrative expenses	(5,338)	---	(5,338)	(3,703)
Acquisition expenses	(2,393)	---	(2,393)	(1,441)
Administration expenses	(2,945)	---	(2,945)	(2,270)
Commissions received from reinsurers	---	---	---	8
Other technical expenses	(21)	---	(21)	---
Technical result of non-life insurance activities	<u>€ 3,016</u>	<u>€ (1,015)</u>	<u>€ 2,001</u>	<u>€ (543)</u>
Non- Technical Account				
Technical result of non-life insurance activities			€ 2,001	€ (543)
Investment income				
Other investment income			30	32
Realized gains on investments			542	650
Investment expenses				
Other investment expenses			(156)	(68)
Share of net investment income transferred to technical account			(60)	(69)
Extraordinary items			---	(6)
Long-term staff incentives			---	(48)
Income tax			---	---
Net Profit (loss) for the period			<u>€ 2,357</u>	<u>€ (52)</u>

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004

I. INTRODUCTORY COMMENTS

By decision of Extraordinary General Shareholders Meeting of October 29 2004, legal name of CDC IXIS Financial Guaranty Europe was changed into CIFG Europe.

CIFG Europe is an insurance company, licensed by French authorities (Commission de Contrôle des Assurances ,des Mutuelles et Instituts de Prévoyance) for financial guaranty (*class 15 Surety*) (*Arrêté* dated 26 October 2001, JO n°253 dated 31 October 2001).

CIFG Europe, a wholly-owned subsidiary of CIFG Guaranty was formed in 2001, and issued its first policy in March 2002. In April 2002, CIFG Europe opened an office in London.

CIFG Guaranty is owned by CIFG Holding, which is owned by Caisse Nationale des Caisses d'Epargne (CNCE).

The financial strength of CIFG Europe is rated AAA by Standard & Poor's and Fitch Investors Service, and Aaa by Moody's Investors Service.

II. APPLICABLE ACCOUNTING PRINCIPLES AND VALUATION RULES

a) Applicable accounting standards

The financial statements of CIFG Europe are prepared in compliance with *Code des Assurances*, as well as with the *Décret* dated 8 June 1994 and the *Arrêté* dated 20 June 1994, adopting EC Directive n° 91-674 dated 19 December 1991 pertaining to insurance and reinsurance companies' individual financial statements.

b) Accounting for Premiums

Written Premiums:

CIFG Europe issues policies where premiums may be payable in full at inception (upfront), in periodic installments over the life of the transaction (installments), or a combination of both (mixed). For all policies, premium written is generally recorded when due, as follows:

- For upfront premiums, premiums written are recorded when a policy is issued.
- For installment premiums, premiums written are accrued for each periodic installment according to the installment schedule defined in the policy.
- In case of mixed premiums, only the amount due at inception is recorded as written premium at the time of issuance, with subsequent installments accrued following the schedule outlined in the policy.

Earned Premiums:

Upfront premiums are earned in proportion to the expiration of the related par amount of risk. At each balance sheet date, any unearned premium is recorded as a liability (deferred premium revenue), representing the portion of premium written that is applicable to coverage of risk to be provided in the future on policies in force. Installment premiums are earned over each installment period, generally less than one year. When an insured issue is called or defeased, the remaining unearned premium reserve is earned at that time since there is no longer risk to CIFG Europe.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

c) Deferred Acquisition Costs

Acquisition costs comprise those expenses that vary with, and are primarily related to, the production of business, including compensation and related costs of underwriting and marketing personnel, certain legal, consulting and rating agency fees, and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers, if any. Each underwriting year's net acquisition expenses are deferred and amortized on a straight-line basis over a period not to exceed five years. To assess recoverability, net deferred acquisition costs are compared to estimated future premium revenues on policies in-force, net of anticipated future policy maintenance costs, losses and loss adjustment expenses.

d) Loss Reserves

A case basis reserve for unpaid losses and loss adjustment expenses is recorded at the undiscounted value of the estimated loss when the likelihood of a future loss on a particular insured obligation is probable and the amount is determinable at the balance sheet date.

CIFG Europe maintains a non-specific general reserve which is available to be applied against future additions or accretions to existing case basis reserves or to new case basis reserves to be established in the future. The development of the non-specific general reserve is based upon estimates of the expected levels of debt service payment defaults on currently guaranteed issues that are not presently or imminently in default and by reference to financial guaranty industry historical loss rate. The reserves are monitored on an ongoing basis and may periodically be adjusted based upon actual loss experience, the future mix of business, and future economic conditions.

e) Investments

Investments consist of short term variable income instruments which are recorded at historical cost, excluding accrued income.

For listed investments, the fair value of investments is based on the published market price of the balance on the balance sheet day.

The historical cost of each line of investments is compared to its estimated recoverable value using the expected investment horizon by the company and can give rise to the recording of a permanent impairment reserve if necessary. On both 31 December 2004 and 2003, there was no such permanent impairment.

Should the total market value of non-fixed income investments be lower than their total book value, a reserve would be recorded. No such reserves were necessary as of both 31 December 2004 and 2003.

f) Investment Income & Expenses

Investment income and expenses include income earned on investments, realized gains and losses on sale of investments, as well as realized foreign exchange gains and losses.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

The realized gains and losses on financial investments are calculated using the FIFO method (First in, First out).

In accordance with *Plan Comptable des Assurances*, part of the net financial income has been transferred to the Technical Account, based upon the existing proportion of net equity and net technical reserves.

g) Foreign Currency translation

Transactions expressed in foreign currencies are converted to euros using the year-end rate, applied to both balance sheet and profit & loss accounts. In case the total revaluation of these transactions results in a net unrealized loss, a reserve equal to the net unrealized loss is recorded under the "Provision for contingent liabilities" caption.

h) Income tax

The reported income tax charge, if any, corresponds to the income tax payable, calculated according to tax rules currently in force. In 2002, CIFG Europe joined the tax consolidation group of CDC IXIS (CDC IXIS was merged with CNCE on December 31 2004). The tax consolidation agreement stipulates that CIFG Europe continues to calculate its income taxes due as if it was not consolidated (i.e in a stand alone basis) and pay any income tax due to CNCE. The agreement also provides that if CIFG Europe leaves the tax consolidation it will be reimbursed for the benefit of any tax losses previously utilized by CNCE.

i) Ceded Reinsurance

Reinsurance premiums ceded and related reinsurance commissions received are earned on a pro-rata basis over the period in which the reinsurance coverage is provided.

j) Commitments towards employees

CIFG Europe has recorded an accrual for post-employment retirement benefit due to its existing French employees. There are no other employee benefit obligations at 31 December 2004 and 2003.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

III. NOTES ON THE BALANCE SHEET

A) Balance Sheet – Assets

a) Detailed Investment Schedule

Investments admissible for coverage of technical reserves are all subject to Article R 332-20 of *Code des Assurances* and are detailed below:

(in '000 euros)	31 December 2004			31 December 2003		
	Gross Book Value	Gross Book Value	Net Book Value	Gross Book Value	Net Book Value	Market Value
Investments in Real Estate	€ ---	€ ---	€ ---	€ ---	€ ---	€ ---
Shares & Variable Income Securities	---	---	---	---	---	---
Shares of Unit-Trusts (Sicav) Invested in Variable Income Securities	---	---	---	---	---	---
Bonds and Fixed Income Securities	9,925	9,925	9,913	---	---	---
Shares of Unit-Trusts (Sicav) Invested in Fixed Income Securities	19,669	19,669	19,669	29,651	29,651	29,651
Other Investment	---	---	---	---	---	---
Total Investments	€ 29,594	€ 29,594	€ 29,582	€ 29,651	€ 29,651	€ 29,651
Total Listed Investments	29,594	29,594	29,582	29,651	29,651	29,651
Total Non Listed Investments	---	---	---	---	---	---
% of investments of Non-Life Insurance Companies	100 %	100 %	100 %	100 %	100 %	100 %

b) Insurance and Reinsurance Receivable

(in '000 euros)	31 December 2004			31 December 2003		
	Less than 1 Year	Between 1 and 5 Years	More than 5 Years	Less than 1 Year	Between 1 and 5 Years	More than 5 Years
Direct Non-Life Insurance	€ 2,560	€ ---	€ ---	€ 1,273	€ ---	€ ---
Assumed Non-Life Reinsurance	---	---	---	---	---	---
Ceded Non-Life Reinsurance	---	---	---	---	---	---
Total Insurance & Reinsurance Net Receivables	€ 2,560	€ ---	€ ---	€ 1,273	€ ---	€ ---

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

c) Other Receivables

As of 31 December 2004 and 2003, Other Receivables, all due in less than one year, consists of the following:

(in '000 Euros)	31 December 2004	31 December 2003
Receivables from Related Parties		
CIFG Holding	€ 8	€ 48
CIFG Guaranty	67	404
Total Receivables from Related Parties	75	452
Receivables from Third Parties	484	---
Total Other Receivables	€ 559	€ 452

d) Fixed Assets

(in '000 Euros)	Opening Balance	Increase	Decrease	Closing Balance
EDP Equipment	€ 22	€ ---	€ (3)	€ 19
Accumulated Depreciation EDP	(6)	(4)	---	(10)
Office Furniture	5	---	---	5
Accumulated Depreciation Office Furniture	---	(1)	---	(1)
Total Fixed Assets	€ 21	€ (5)	€ (3)	€ 13

e) Deferred Acquisition Costs

Deferred acquisition costs, and the related accumulated amortization are as follows:

(in '000 Euros)	31 December 2004	31 December 2003
Gross Acquisition Costs Deferred	€ 10,079	€ 7,204
Amortization	(2,368)	(1, 860)
Net Deferred Acquisition Costs	€ 7,711	€ 5,344

B) Balance Sheet – Liabilities

a) Share Capital

The share capital of CIFG Europe, fully subscribed, amounts to € 32 million, as of 31 December 2004, unchanged from 31 December 2003. It is composed of 3.2 million identical shares of par value € 10.00.

As of 31 December 2004, CIFG Guaranty owns 3,199,996 shares of CIFG Europe.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

b) Technical Reserves

As of 31 December 2004 and 2003, Technical Reserves are composed of the following:

(in '000 Euros)	31 December 2004			31 December 2003
	Gross	Ceded	Net	Net
Unearned Premium Reserves	€ 7,227	€ (2,842)	€ 4,385	€ 3,414
Loss Reserves	1,146	---	1,146	402
Total	€ 8,373	€ (2,842)	€ 5,531	€ 3,816

c) Provisions for Contingent Liabilities and Charges

A detail of provisions for contingent liabilities is as follows:

(in '000 Euros)	Opening Balance	Increase	Decrease	Closing Balance
Provision for Unrealized FX loss	€ 68	€ 246	€ ---	€ 314
Provision for Retirement Indemnity	35	9	---	44
Total Provision for Contingent Liabilities	€ 103	€ 255	€---	€ 358

d) Reinsurance Payable

Reinsurance Payables represent amounts payable to CIFG Guaranty under reinsurance agreements between the two companies.

e) Other Payables

As of 31 December 2004 and 2003, other payables, all due within less than one year, consist of the following:

(in '000 euros)	31 December 2004	31 December 2003
Payables to Related Parties		
CIFG Services	1,001	283
Total Payable to Third Parties	1,132	1,096
Total Other Payables	€ 2,133	€ 1,379

Amounts payable to related parties reflect services rendered to CIFG Europe by CIFG Services.

IV. NOTES ON PROFIT & LOSS STATEMENT

As mentioned above, CIFG Europe is exclusively licensed for financial guaranty (*class 15 Surety*), accordingly all of its technical transactions relate to this class of business and a presentation by class of business would not be applicable.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

a) Written Premiums

Gross written premiums for 2004 and 2003 can be split as follows:

(in '000 Euros)	31 December 2004	31 December 2003
Written Premium – France	€ 468	€ 4,204
Written Premium – EU Countries (other than France)	5,424	1,636
Written Premium – non EU Countries	6,071	---
Total Gross Written Premiums	€ 11,963	€ 5,840

b) Investment Income and Expenses

(in '000 Euros)	31 December 2004			31 December 2003		
	Investments in Related Parties	Other Investments	Total	Investments in Related Parties	Other Investments	Total
Other investment income	€ ---	€ 272	€ 272	€ ---	€ 32	€ 32
Realized gains on SICAV	---	542	542	---	650	650
Other Investment Expenses	---	(398)	(398)	---	(68)	(68)
Realized Losses on SICAV	---	---	---	---	---	---
Total Net Investment Income	€ ---	€ 416	€ 416	€ ---	€ 614	€ 614

c) Personnel and Personnel Expenses

(in '000 Euros)	31 December 2004	31 December 2003
Salaries and Equivalent	€ 3,232	€ 3,209
Social Security Expenses	750	942
Personnel Expenses	€ 3,982	€ 4,151

The average headcount for CIFG Europe is 11 for 2004 and 10 for 2003. This includes offices in both Paris and London.

d) Income tax

The reconciliation between net result (loss) and income tax basis is given below:

(in '000 Euros)	31 December 2004	31 December 2003
Net result Before Income Tax	€ 2,357	€ (52)
Unrealized Gains on SICAV	---	---
Deferred Acquisition Costs	(2,368)	(3,663)
Other Temporary Differences (Net)	726	400
Income tax basis	715	(3,315)
Current tax charge	€ 0	€ 0

As described above, acquisition costs are deferred for accounting purposes. Nevertheless, the corresponding expenses remain fully deductible as incurred from a tax point of view.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

As a consequence, the future amortization of the deferred acquisition costs will not be deductible for income tax purposes.

No current tax charges has been recorded in 2004 due to the fact that CIFG Europe was in a tax loss position in 2003 and € 0.7 million of the NOL carryforward of € 6,9 millions was partly used to release the tax liability in 2004. The remaining net operating loss carryforward was € 6,2 millions at 31 December 2004.

V. RELATED PARTY TRANSACTIONS

CIFG Europe has entered into different reinsurance agreements with its parent company CIFG Guaranty. An Excess of Loss treaty has been signed in September 2001 and amended in September 2002. It provides a cover on any loss in excess of a net retention of € 20 million for the whole portfolio of CIFG Europe and for the duration of the issued policies. Premiums paid to CIFG Europe in respect of this treaty amount respectively to € 1.0 million in 2004 and € 0.6 million in 2003. In addition, CIFG Europe and CIFG Guaranty have signed a master facultative reinsurance agreement in September 2002, which provides for individual policy cessions, upon mutual agreement of the parties. Premiums paid to CIFG Europe in respect of this treaty amounts respectively to € 2.5 million in 2004 and € 28 thousand in 2003

During 2002, CIFG Europe also entered into a master facultative reinsurance agreement with CIFG North America Inc. (CIFG NA), an affiliated New York domiciled financial guaranty insurance company. This master facultative reinsurance agreement provides for individual policy cessions from CIFG Europe to CIFG NA upon mutual agreement of the parties. There were no cessions made under this agreement during 2004 and 2003.

CIFG Europe has entered into a management services agreement with CIFG Services, a Delaware corporation and wholly-owned subsidiary of CIFG Guaranty, under which CIFG Services provides technical consulting and administrative services to CIFG Europe. During 2004 and 2003, fees of € 2.7million and € 1.5 million, respectively were charged to CIFG Europe by CIFG Services under this agreement.

CIFG Europe also provides administrative services to CIFG Guaranty and CIFG Holding. During 2004 and 2003, € 106 thousand and € 344 thousand, respectively, were charged by CIFG Europe to CIFG Guaranty, and € 8 thousand and € 40 thousand, respectively were charged to CIFG Holding in respect of such services.

VI. OFF BALANCE SHEET ITEMS

a) Commitment received from CIFG Guaranty

CIFG Europe has received a support letter from its parent CIFG Guaranty, by which it commits to maintain the net equity of CIFG Europe at no less than € 20 million.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

b) Commitment received from CIFG Holding

CIFG Holding has provided a guaranty to CIFG Europe covering all of CIFG Europe's insured obligations resulting from transactions signed or to be signed with a specific counterparty between 1 January 2003 and 31 December 2006. As of 31 December 2004, the outstanding par insured by CIFG Europe with respect to this counterparty was €30.3 million.

c) Instalment Premiums Receivable

As of 31 December 2004, the Company estimates that it will collect € 64.4 million of future installment premiums on policies in force, of which € 7.2 million will be ceded to CIFG Guaranty based upon existing reinsurance agreements. These amounts are not discounted; however, the present value of such amounts is utilized in the assessment of the recoverability of deferred acquisition costs.

d) Guarantees in force

The Company's policies guarantee the scheduled payments of principal and interest on municipal and structured debt obligations.

The principal amount insured as of 31 December 2004 and 2003 (gross par outstanding and net of amounts ceded to reinsurers), categorized by type of obligation, is as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Gross	Net of Facultative cession	Net of Facultative cession
Public Finance			
Transportation	€ 250,000	€ 250,000	€ 250,000
Project Finance	231,236	231,236	39,649
Sovereign / Sub sovereign	230,000	40,000	40,000
Investor Owned Utilities	192,009	192,009	109,026
Toll roads	185,009	185,009	107,072
Investor Owned Utilities	110,000	110,000	110,000
Total Public Finance	1,198,254	1,008,254	655,747
Structured Finance			
CDO Investment Grade	1,694,032	1,694,032	346,762
CDO High Yield	766,250	766,250	674,078
Mortgage-Backed	545,037	545,037	119,010
CDO Asset-Backed	366,431	366,431	165,000
Commercial Mortgage Back	325,881	269,881	215,986
Commercial Asset Backed	73,314	73,314	---
Lease Assets	32,992	3,300	39,670
Auto Receivable	22,500	22,500	22,500
Total Structured Finance	3,826,437	3,740,745	€ 1,583,006
Total Par insured	€ 5,024,691	€ 4,748,999 *	€ 2,238,753 *

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

The principal amounts insured as of 31 December 2004 and 2003 and geographic location are as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Brut	Net of Facultative cession	Net of Facultative cession
United Kingdom	€ 825 842	€ 825 842	€ 158,659
United States	474 536	444 844	132,498
France	355 271	299 271	412,620
Portugal	250 000	250 000	250,000
Australia	228 166	228 166	59,465
Italy	322 500	132 500	132,500
Turkey	73 314	73 314	---
Europe diversified	511 000	511 000	326,000
Global diversified	1 984 062	1 984 062	767,011
Total Par insured	€ 5 024 691	€ 4,748,999 *	€ 2,238,753 *

The principal amounts insured as of 31 December 2004 and 2003 and the terms of maturity are as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Gross	Net of Facultative cession	Net of Facultative cession
Years to Maturity			
Due in One Year or Less	€ (59,842)	€ (64,898)	€ 10,610
Due after One Year through Five Years	2,502,822	2,465,608	390,309
Due after Five Years through Ten Years	2,030,433	1,959,126	1,530,166
Due after Ten Years through Fifteen Years	189,484	164,907	257,036
Due after Fifteen Years through Twenty Years	129,463	95,628	50,632
Due after twenty Years trough Twenty-Five Years	68,011	22,889	---
Due after Twenty-Five Years	164,321	105,739	---
Total Par insured	€ 5 024 691	€ 4,748,999 *	€ 2,238,753 *

*: After the facultative cession, CIFG Europe cedes to CIFG Guaranty all losses above € 20 millions.

The Company limits its exposure to losses from writing financial guarantees through a formal credit approval process and by maintaining a surveillance function which monitors insured transactions. Additionally, the Company mitigates credit risk by underwriting investment grade transactions and by requiring adequate collateral and other forms of subordination protection, as well as through reinsurance.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

e) Special Purpose Entities

In the ordinary course of business, CIFG Europe has issued financial guaranty contracts in favor of a special purpose entity (SPE), Mogador Ltd. Mogador Ltd. is a corporation established in Jersey, which is owned by Mogador Trust, Jersey-based charitable trust. The insurance policies generally provide credit protection to protection buyers who have entered into credit default swap transactions with Mogador Ltd. CIFG Europe receives premiums at market rates and does not hold any equity positions or subordinated debt in either Mogador Ltd or Mogador Trust. As of 31 December 2004 and 2003, CIFG Europe has outstanding financial guaranties in favor of Mogador Ltd for a total of € 4,3 billion and € 1,9 billion, respectively, all of which is included in the table VI c above.

VII. OTHER INFORMATION

a) Consolidating entity

CIFG Europe accounts are included in the consolidated accounts of CIFG Holding. The consolidated financial statements of CIFG Holding are then consolidated with those of its parent company, CNCE.

b) Compensation paid to members of the Executive Board and Supervisory Board of CIFG Europe in respect of their functions. Credit and advances granted to these same persons

As of 31 December 2004 and 2003, total compensation paid to members of CIFG Europe Executive Board in respect of their functions amounts to € 8 thousand and € 9 thousand respectively.

No compensation was paid to the Supervisory Board members. No credit or advance was paid to the same persons.

c) Post-balance sheet events

No other events have occurred subsequent to the balance sheet date which are likely to have a significant impact on the financial statements of the Company as of 31 December 2004.

CIFG Europe

Statutory Auditors' Report

Financial Statements – Year ended December 31, 2005

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

PRICEWATERHOUSECOOPERS

MAZARS

PRICewaterhouseCOOPERS AUDIT

PRICewaterhouseCOOPERS

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CIFG Europe

Siège Social : 31-33, rue de Mogador - 75009 Paris
Société Anonyme au capital de 32 000 000 €
N° RCS : Paris B 439 301 912

Statutory Auditors' Report

Financial Statements – Year ended December 31, 2005

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

PRICEWATERHOUSECOOPERS

MAZARS

Statutory Auditors' Report (Translated from French into English)

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification of information in the group management report. This report, together with the statutory auditors' report addressing financial and accounting information in the Presidents' report an internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 2005, on:

- the audit of the accompanying financial statements of CIFG Europe,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Directoire. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

CIFG Europe

*Financial Statements Year
ended December
31, 2005*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 Justification of assessments

In accordance with the requirements of article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters :

Note II to the financial statements describes the accounting principles and methods, in particular the accounting rules concerning premium and the unearned premium reserve (§ b), deferred acquisition costs as well as their amortization (§ c) and loss reserves (§ d).

When assessing the accounting rules and principles used by your company, we examined the appropriateness of the above mentioned accounting methods, given the specific nature of the business, and we verified the correctness of their application and the disclosures provided in the notes to the financial statements.

Our assessments on these matters were made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

CIFG Europe

*Financial Statements Year
ended December
31, 2005*

3 Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Diectoire, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris - la Défense and Neuilly sur Seine, March 13, 2006

Statutory Auditors

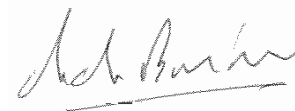
**PRICEWATERHOUSECOOPERS
AUDIT**

Michel Laforce



MAZARS & GUÉRARD

Charles de Boisriou



Gilles Magnan



CIFG EUROPE
BILAN AU 31 DECEMBRE 2005
BALANCE SHEET AT DECEMBER, 31st, 2005

(en milliers d'Euros / in '000 euros)	Au 31 Décembre / At December, 31st	
	2005	2004
<u>Actif / Assets</u>		
Placements / <i>Investments</i>	32 447	29 594
Part des cessionnaires et rétrocessionnaires dans les provisions techniques / <i>Share of reinsurers in technical reserves</i>		
Provisions pour primes non acquises cédées / <i>Unearned ceded premium reserves</i>	5 384	2 842
Créances / <i>Receivables</i>		
Créances nées d'opérations d'assurance / <i>Reinsurance receivables</i>	3 717	2 560
Autres créances / <i>Other receivables</i>	135	559
Autres actifs / <i>Other assets</i>		
Actifs corporels d'exploitation / <i>Tangible assets</i>	109	13
Comptes courants et caisse / <i>Cash and cash equivalents</i>	3 333	2 556
Comptes de régularisation actif / <i>Transitory accounts</i>		
Frais d'acquisition reportés / <i>Deferred acquisition costs</i>	12 219	7 711
Autres comptes de régularisation / <i>Accruals</i>	544	257
Ecart de conversion actif net / <i>Net currency translation adjustment</i>	---	140
Total de l'actif / Total assets	57 888	46 232

Passif / Shareholders' Equity & Liabilities

Capitaux propres / Net equity		
Capital social / <i>Share capital</i>	32 000	32 000
Report à nouveau / <i>Retained earnings</i>	274	(2 084)
Résultat de l'exercice / <i>Net income (loss) for the period</i>	2 853	2 357
Capitaux propres / <i>Net equity</i>	<u>35 127</u>	<u>32 273</u>
Provisions pour primes non acquises / <i>Unearned premium reserves</i>	12 353	7 227
Provisions pour sinistres / <i>Loss reserves</i>	2 219	1 146
Provisions pour risques et charges / <i>Provisions for contingent liabilities</i>	77	358
Dettes nées d'opérations de réassurance / <i>Reinsurance payables</i>	2 321	271
Personnel / <i>Staff</i>	3 411	2 434
Etat, organismes sociaux / <i>Tax authorities, social security</i>	408	390
Autres dettes / <i>Other payables</i>	1 900	2 133
Ecart de conversion passif net / <i>Net currency translation adjustment</i>	72	---
Total du passif / Total shareholders' equity and liabilities	57 888	46 232

<u>Tableau des Engagements / Off balance sheet items</u>	Au 31 décembre / At december, 31st	
	2005	2004
Primes périodiques futures à recevoir/ <i>Installment Premiums Receivable</i>	80 810	64 416
Caution / <i>Guaranty</i>	25 840	30 300
Engagements reçus / <i>Commitments received</i>	<u>106 650</u>	<u>94 716</u>
Garanties émises / <i>Guarantees in force</i>	20 000	20 000
Engagements donnés / <i>Commitments given</i>	<u>20 000</u>	<u>20 000</u>

CIFG EUROPE
COMPTE de RESULTAT
PROFIT & LOSS STATEMENT

Compte Technique de l'assurance non-vie *Non-life Insurance Technical Account*

(en milliers d'Euros / in '000 euros)	Au 31 Décembre / As of December, 31st,			
	Brut / Gross	Ceded	Net	Net
	2005		2004	
Primes acquises / <i>Earned premiums</i>	12 569	(1 848)	10 721	7 448
Primes émises / <i>Written premiums</i>	17 541	(4 374)	13 167	8 483
Variation des primes non acquises / <i>Change on unearned premiums</i>	(4 972)	2 526	(2 446)	(1 035)
Produits des placements alloués / <i>Share of net investment income allocated to technical account</i>	171	---	171	60
Autres produits techniques / <i>Other technical income</i>	75	---	75	597
Charges de sinistres / <i>Claim expenses</i>	(1 072)	---	(1 072)	(745)
Charges des provisions pour sinistres / <i>Change in loss reserves</i>	(1 072)	---	(1 072)	(745)
Frais d'acquisition et d'administration / <i>Acquisition and administration expenses</i>	(7 697)	---	(7 697)	(5 338)
Frais d'acquisition / <i>Acquisition expenses</i>	(4 119)	---	(4 119)	(2 393)
Frais d'administration / <i>Administration expenses</i>	(3 578)	---	(3 578)	(2 945)
Autres charges techniques / <i>Other technical expenses</i>	---	---	---	(21)
Résultat technique de l'assurance non-vie / <i>Technical result of non-life insurance activities</i>	4 046	(1 848)	2 198	2 001

Compte Non Technique / *Non-Technical Account*

Résultat technique de l'assurance non-vie / <i>Technical result of non-life insurance activities</i>	4 046	(1 848)	2 198	2 001
Produits des placements / <i>Investment income</i>	826	---	826	572
Revenus des placements / <i>Investment income</i>	587	---	587	30
Profits provenant de la réalisation des placements / <i>Realized gains on investments</i>	239	---	239	542
Charges des placements / <i>Investment expenses</i>	---	---	---	(156)
Autres charges de placement / <i>Other investment expenses</i>	---	---	---	(156)
Produits des placements transférés / <i>Share of net investment income transferred to technical account</i>	(171)	---	(171)	(60)
Résultat exceptionnel / <i>Extraordinary items</i>	---	---	---	---
Participation des salariés / <i>Long-term staff incentives</i>	---	---	---	---
Impôt sur les bénéfices / <i>Income tax</i>	---	---	---	---
Résultat de l'exercice / <i>Net profit (loss) for the period</i>	4 701	(1 848)	2 853	2 357

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
AU 31 DÉCEMBRE 2005 / AS OF DECEMBER 31, 2005

I. NOTES PRELIMINAIRES/ INTRODUCTORY COMMENTS

CIFG Europe est une société d'assurance agréée exclusivement pour la branche 15 Caution (Arrêté du 26 octobre 2001, JO n°253 du 31 octobre 2001).

CIFG Europe, filiale de CIFG Guaranty a été créée en 2001 et a émis sa première police en mars 2002. En avril 2002, CIFG Europe a ouvert un bureau à Londres. CIFG Guaranty est une filiale de CIFG Holding, elle-même filiale du groupe Caisse Nationale des Caisses d'Epargne (CNCE).

La solidité financière de CIFG Europe est notée AAA par Standard & Poor's et Fitch Investors Service et Aaa par Moody's Investors Service.

CIFG Europe (the Company) is an insurance company, for financial guaranty (*class 15 Surety*) (Arrêté dated 26 October 2001, JO n°253 dated 31 October 2001).

CIFG Europe, a wholly-owned subsidiary of CIFG Guaranty, was formed in 2001, and issued its first policy in March 2002. In April 2002, CIFG Europe opened an office in London. CIFG Guaranty is owned by CIFG Holding, which is owned by Caisse Nationale des Caisses d'Epargne (CNCE).

The financial strength of CIFG Europe is rated AAA by Standard & Poor's and Fitch Investors Service, and Aaa by Moody's Investors Service.

II. PRINCIPES ET MÉTHODES COMPTABLES / ACCOUNTING PRINCIPLES AND METHODS

a) Référentiel comptable / Applicable accounting standards

Les comptes annuels de CIFG Europe sont établis et présentés conformément aux dispositions du Code des Assurances, du décret du 8 juin 1994 et de l'arrêté du 20 juin 1994, en vue de la transposition de la directive n° 91-674 CEE du 19 décembre 1991 concernant les comptes sociaux des entreprises d'assurance et de réassurance.

The financial statements of CIFG Europe are prepared in compliance with *Code des Assurances*, as well as with the *Décret* dated June 8, 1994 and the *Arrêté* dated June 20, 1994, adopting EC Directive n° 91-674 dated December 19, 1991 pertaining to insurance and reinsurance companies' individual financial statements.

b) Comptabilisation des primes / Accounting for Premiums

Primes émises

Les primes dues sur les polices émises par CIFG Europe peuvent être payables soit en totalité à l'émission (primes uniques), soit à intervalles réguliers tout au long de la transaction (primes périodiques), ou encore selon une combinaison de ces deux modalités (primes hybrides). Pour toutes les polices, les primes sont généralement constatées en Primes émises à leur date d'échéance, comme suit :

- Les primes uniques payées en totalité à la signature de la police sont enregistrées lors de l'émission de la police ;

Written Premiums:

CIFG Europe issues policies where premiums may be payable in full at inception (upfront), in periodic installments over the life of the transaction (installments), or a combination of both (mixed). For all policies, premium written is generally recorded when due, as follows:

- For upfront premiums, premiums written are recorded when a policy is issued.

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
AU 31 DÉCEMBRE 2005 / AS OF DECEMBER 31, 2005
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- Pour les primes à versement périodique, les primes émises sont constatées à chaque date de calcul, telle que définie dans la documentation de la police ;
- Dans le cas de primes hybrides, seul le montant payable à l'émission est comptabilisé en « Primes émises » lors de la signature, les primes périodiques étant prises en compte selon l'échéancier fixé par la police.

Primes acquises

Les primes dues en totalité à l'émission sont prises en résultat en fonction de l'évolution du montant en principal des titres couverts. A chaque arrêté, la part non acquise des primes est constatée au passif du bilan (Provision pour primes non acquises), représentant la fraction des primes destinée à couvrir les risques restant à courir sur les polices en cours. Les primes périodiques sont acquises sur l'intervalle de temps auquel elles correspondent, qui est en général inférieur à un an. Dans le cas où une émission garantie par CIFG Europe est remboursée par anticipation ou rappelée, la provision pour primes non acquises de la police correspondante est reprise en résultat dans la mesure où cet événement fait disparaître le risque assuré par CIFG Europe.

- For installment premiums, premiums written are accrued for each periodic installment according to the installment schedule defined in the policy.
- In case of mixed premiums, only the amount due at inception is recorded as written premium at the time of issuance, with subsequent installments accrued following the schedule outlined in the policy.

Earned Premiums:

Upfront premiums are earned in proportion to the expiration of the related par amount of risk. At each balance sheet date, any unearned premium is recorded as a liability (deferred premium revenue), representing the portion of premium written that is applicable to coverage of risk to be provided in the future on policies in force. Installment premiums are earned over each installment period, generally less than one year. When an insured issue is called or defeased, any remaining unearned premium reserve is earned at that time since there is no longer risk to CIFG Europe.

c) Frais d'acquisition reportés / Deferred Acquisition Costs

Les frais d'acquisition correspondent aux charges directement liées à la production, incluant certains frais juridiques et de conseils, les honoraires de notation, les commissions payées sur les acceptations et certaines autres charges liées à la souscription, nets (le cas échéant) des commissions reçues des rétrocessionnaires. Les frais d'acquisition rattachés à un exercice de souscription donné sont reportés et amortis de façon linéaire sur une durée qui ne peut dépasser cinq ans. La recouvrabilité des frais d'acquisition reportés est vérifiée à chaque arrêté par comparaison avec le montant estimé des primes futures attendues sur le portefeuille, diminué d'une évaluation des frais de gestion et des charges de sinistres futurs.

Acquisition costs comprise those expenses that vary with, and are primarily related to, the production of business, including compensation and related costs of underwriting and marketing personnel, certain legal, consulting and rating agency fees, and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers, if any. Each underwriting year's net acquisition expenses are deferred and amortized on a straight-line basis over a period not to exceed five years. To assess recoverability, net deferred acquisition costs are compared to estimated future premium revenues on policies in-force, including future installments, net of anticipated future policy maintenance costs, losses and loss adjustment expenses.

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
AU 31 DÉCEMBRE 2005 / AS OF DECEMBER 31, 2005
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d) Provisions pour sinistres à payer / Loss Reserves

Une Comité de Surveillance des risques se réunit régulièrement, plusieurs fois par an pour effectuer la revue des risques souscrits par CIFG. Europe Dès qu'une obligation assurée se trouve dans une situation qui présente, selon le comité, un risque probable d'entraîner une perte pour la société, une provision pour sinistres à payer est constatée, égale à la meilleure estimation du sinistre.

Une provision générale non individualisée est également constatée. Cette provision est destinée à couvrir tant l'évolution des sinistres déjà déclarés que les futurs sinistres à venir. Cette provision est évaluée sur la base d'une estimation des niveaux de défaut attendus sur le portefeuille assuré en cours qui n'a pas donné lieu à un provisionnement spécifique. Le niveau de cette provision fait l'objet d'un suivi continu et pourra être ajusté en fonction de la sinistralité effective, de l'évolution du portefeuille et des conditions économiques générales.

A surveillance committee reviews several times a year the credits underwritten by CIFG Europe. A case basis reserve for unpaid losses and loss adjustment expenses is recorded at the undiscounted value of the estimated loss when, in surveillance committee's opinion, the likelihood of a future loss on a particular insured obligation is probable and the amount is determinable at the balance sheet date.

CIFG Europe maintains a non-specific general reserve which is available to be applied against future additions or accretions to existing case basis reserves or to new case basis reserves to be established in the future. The development of the non-specific general reserve is based upon estimates of the expected levels of debt service payment defaults on currently guaranteed issues that are not presently or imminently in default and by reference to financial guaranty industry historical loss rates. The reserves are monitored on an ongoing basis and may periodically be adjusted based upon actual loss experience, the future mix of business, and future economic conditions.

e) Placements / Investments

Les placements financiers sont constitués de titres à court terme et revenu variable ainsi que d'obligations.

Placements à revenu variable

Les placements à revenu variable sont enregistrés à leur coût historique, hors charges et revenus courus.

Pour les titres cotés, leur valeur de réalisation en fin d'exercice est déterminée par référence au dernier cours de bourse au jour de l'inventaire.

Pour chaque ligne de placement, la comparaison entre la valeur recouvrable sur l'horizon de détention prévu par la société et le coût historique peut donner lieu à la constitution d'une provision pour dépréciation durable. Aucune provision de ce type n'est nécessaire au 31 décembre 2005 comme au 31 décembre 2004.

Conformément à l'article R.331-5-1 du Code des

Investments consist of short-term variable income instruments and fixed income investments

Variable income investments

Short-term variable income instruments are recorded at historical cost, excluding accrued income.

For listed investments, the fair value of investments is based on the published market price on the balance sheet date.

The historical cost of each line of investments is compared to its estimated recoverable value using the expected investment horizon of the Company and can give rise to the recording of a permanent impairment reserve if necessary. On both December 31, 2005 and 2004, there was no such permanent impairment.

According to the rule R.33-5-1 of "Codes des

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Assurances, modifié par le décret n° 2003-1236 du 22 décembre 2003, Dans le cas où la valeur totale de réalisation des placements à revenu variable serait inférieure à leur valeur historique, une provision dite « pour risque d'exigibilité des engagements techniques » serait constatée. Tel n'est pas le cas au 31 décembre 2005 et 2004.

Placements à revenu fixe

Les placements à revenu fixe sont enregistrés à leur coût historique, hors intérêts courus à la date d'acquisition.

assurances", modified by the rule n°2003-1236 dated December 22,2003, should the total market value of non-fixed income investments be lower than their total book value, a reserve would be recorded. No such reserves were necessary as of December 31, 2005 and 2004.

Fixed Income investments

Fixed income investments are recorded at historical cost, excluding interest accrued at date of acquisition.

f) Produits et charges de placement / Investment Income & Expenses

Les produits et charges de placement comprennent les revenus des placements, les gains ou pertes sur la réalisation de ces placements ainsi que le résultat des opérations de change.

Les plus ou moins-values sur cessions de valeurs mobilières de placement sont déterminées selon la méthode du premier entré - premier sorti (FIFO).

Conformément aux dispositions du Plan Comptable des Assurances, une partie des produits nets des placements a été reclassée au compte de résultat technique sur la base du rapport entre le total des capitaux propres et le total des provisions techniques.

Investment income and expenses include income earned on investments, realized gains and losses on sale of investments, as well as realized foreign exchange gains and losses.

The realized gains and losses on financial investments are calculated using the FIFO method (First in, First out).

In accordance with *Plan Comptable des Assurances*, part of the net financial income has been transferred to the Technical Account, based upon the existing proportion of net equity and net technical reserves.

g) Conversion des opérations en devises / Foreign Currency translation

Les opérations en devises sont converties au cours de clôture de l'exercice, appliqué tant aux éléments de bilan qu'à ceux du compte de résultat. Dans le cas où la réévaluation dégage globalement une perte de change latente nette, une provision d'un montant égal à cette perte latente est enregistrée dans la rubrique « Provision pour risques et charges ».

Transactions expressed in foreign currencies are converted to euros using the year-end rate, applied to both balance sheet and profit & loss accounts. In case the total revaluation of these transactions results in a net unrealized loss, a reserve equal to the net unrealized loss is recorded under the "Provision for contingent liabilities" item.

h) Impôt sur les sociétés / Income tax

La charge d'impôt enregistrée au compte de résultat de l'exercice, s'il y a lieu, correspond à l'impôt payable au titre de l'exercice, déterminé en fonction des règles fiscales en vigueur. En

The reported income tax charge, if any, corresponds to the income tax payable, calculated according to tax rules currently in force. In 2002, CIFG Europe joined the tax

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
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2002, CIFG Europe a rejoint le périmètre d'intégration fiscale de CDC IXIS (CDC IXIS a été absorbée par le Groupe CNCE le 31 décembre 2004). La CNCE a repris les mêmes engagements que ceux pris par le Groupe CDC IXIS en matière d'intégration fiscale. La convention d'intégration fiscale en vigueur stipule que CIFG Europe continue à calculer l'impôt sur les sociétés comme en l'absence d'intégration mais liquide tout montant dû auprès de CNCE. De même, en cas de sortie du périmètre d'intégration fiscale, CIFG Europe serait indemnisée des déficits fiscaux déjà utilisés par la société tête de groupe fiscal.

consolidation group of CDC IXIS (CDC IXIS was merged with CNCE on December 31 2004). The rights and obligations of CDC IXIS under the tax sharing agreement with the Company have been assumed by CNCE.

The tax consolidation agreement stipulates that CIFG Europe should calculate its income taxes due as if it were not consolidated (i.e. on a stand alone basis) and pay any income tax due to CNCE. The agreement also provides that if CIFG Europe were to leave the tax consolidation, it will be reimbursed for the benefit of any tax losses previously utilized by CNCE.

i) Primes de réassurance cédées / Ceded Reinsurance

Les primes de réassurance cédées et les commissions correspondantes sont acquises sur la durée du traité de réassurance.

Reinsurance premiums ceded and related reinsurance commissions received are earned on a pro-rata basis over the period in which the reinsurance coverage is provided.

j) Engagements envers le personnel / Commitments towards employees

Sous la catégorie « provision pour risques et charges », CIFG Europe enregistre une provision représentant son obligation envers les employés travaillant en France afin de couvrir l'indemnité qui serait due en cas de départ à la retraite. Il n'y a pas d'autres engagements envers les employés au 31 décembre 2005 et 2004.

CIFG Europe has recorded an accrual for post-employment retirement benefits due to its existing French employees. There are no other employee benefit obligations at December 31, 2005 and 2004.

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
AU 31 DÉCEMBRE 2005 / AS OF DECEMBER 31, 2005
(SUITE / CONTINUED)

III. NOTES SUR LE BILAN / NOTES ON THE BALANCE SHEET

A. Bilan – Actif / Balance Sheet – Assets

a) Etat détaillé des placements / Detailed Investment Schedule

Les valeurs inscrites à l'actif sont détaillées ci-dessous : | Investments are detailed below:

('000 Euros)	31 Décembre 2005			31 Décembre 2004		
	Valeur Brute Gross book value	Valeur Nette Net book value	Valeur de Réalisation Market value	Valeur Brute Gross book value	Valeur Nette Net book value	Valeur de Réalisation Market value
Placements immobiliers <i>Investments in Real Estate</i>	€---	€---	€---	€---	€---	€---
Actions et Titres à Revenu Variable <i>Shares & Variable Income Securities</i>	---	---	---	---	---	---
Obligations et Autres titres à Revenus Fixes <i>Bonds and Fixed Income Securities</i>	24 856	24 856	24 342	9 925	9 925	9 913
Parts d'OPCVM Obligataires <i>Shares of Unit-Trusts Invested in Fixed Income Securities</i>	7 591	7 591	7 591	19 669	19 669	19 669
Total des placements Total Investments	€32 447	€32 447	€31 933	€29 594	€29 594	€29 582
Total des placements cotés <i>Total Listed Investments</i>	32 447	32 447	31 933	29 594	29 594	29 582
Total des placements non cotés <i>Total Non Listed Investments</i>	---	---	---	---	---	---
Part des Placements d'assurance non vie <i>% of Investments of Non-Life Insurance Companies</i>	100%	100%	100%	100%	100%	100%

b) Créances nées d'opérations d'assurance directe et de réassurance / Insurance and Reinsurance Receivables

('000 Euros)	31 Décembre 2005			31 Décembre 2004		
	A moins d'un An Less than 1 year	Entre un et cinq Ans Between 1 and 5 years	A plus de 5 Ans More than 5 years	A moins d'un An Less than 1 year	Entre un et cinq Ans Between 1 and 5 years	A plus de 5 Ans More than 5 years
Primes à recevoir <i>Direct Non-Life Insurance</i>	€3 717	€---	€---	€2 560	€---	€---
Comptes courants cédants et rétrocedants <i>Assumed Non-Life Reinsurance</i>	---	---	---	---	---	---
Comptes courants cessionnaires et rétrocessionnaires <i>Ceded Non-Life Reinsurance</i>	---	---	---	---	---	---
Total des Créances nées d'opérations d'assurance et de réassurance Total Insurance & Reinsurance Net Receivables	€3 717	€---	€---	€2 560	€---	€---

CIFG EUROPE
ANNEXE AUX COMPTES SOCIAUX / NOTES TO FINANCIAL STATEMENTS
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(SUITE / CONTINUED)

c) Autres créances / Other Receivables

Au 31 décembre 2005 et 2004, les autres créances, à échéance inférieure à un an, peuvent être détaillées comme suit :
 As of December 31, 2005 and 2004, Other Receivables, all due in less than one year, consists of the following:

('000 Euros)	31 Décembre 2005	31 Décembre 2004
Créances sur entreprises liées : <i>Receivables from Related Parties</i>		
CIFG Holding	€ 8	€ 8
CIFG Guaranty	127	67
Total des Créances vis-à-vis d'entreprises liées <i>Total Receivables from Related Parties</i>	135	75
Créances sur autres tiers <i>Receivables from Third Parties</i>	---	484
Total des autres créances <i>Total Other Receivables</i>	€135	€559

d) Actifs corporels d'exploitation / Fixed Assets

('000 Euros)	Ouverture <i>Opening</i>	Acquisition/ Dotation <i>Increase</i>	Cession /Reprise <i>Decrease</i>	Clôture <i>Closing</i>
Matériel informatique <i>EDP Equipment</i>	€19	€52	---	€71
Amortissement du matériel informatique <i>Accumulated Depreciation EDP</i>	(10)	(6)	---	(16)
Matériel de bureau <i>Office Furniture</i>	5	53	---	58
Amortissement du matériel de bureau <i>Accumulated Depreciation Office Furniture</i>	(1)	(3)	---	(4)
Total des actifs corporels <i>Total Fixed Assets</i>	€13	€96	---	€109

e) Frais d'acquisition reportés / Deferred Acquisition Costs

Les frais d'acquisition reportés se décomposent de la façon suivante :
 Deferred acquisition costs, and the related accumulated amortization are as follows:

('000 Euros)	31 Décembre 2005	31 Décembre 2004
Frais d'acquisition différés <i>Gross Acquisition Costs Deferred</i>	€16 337	€10 079
Montant constaté en charges dans l'exercice <i>Amortization</i>	(4 118)	(2 368)
Total des frais d'acquisition reportés <i>Net Deferred Acquisition Costs</i>	€12 219	€ 711

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Bilan – Passif / Balance Sheet – Liabilities

a) Capitaux propres / Net equity

Au 31 décembre 2005, le capital de la société, entièrement libéré, se monte à €32 millions, divisé en 3 200 000 actions d'une valeur nominale de €10 et donnant toutes les mêmes droits.

The share capital of CIFG Europe, fully subscribed, amounts to €32 million, as of December 31, 2005, unchanged from December 31, 2004. It is composed of 3,200,000 identical shares of par value €10.

La société CIFG Guaranty détient 3 199 995 actions de CIFG Europe au 31 décembre 2005.

As of December 31, 2005, CIFG Guaranty owns 3,199,995 shares of CIFG Europe.

b) Provisions techniques d'assurance / Technical reserves

Les provisions techniques d'assurance se décomposent de la façon suivante :

As of December 31, 2005 and 2004, Technical Reserves are composed of the following:

('000 Euros)	31 Décembre 2005			31 Décembre 2004
	Montant Brut <i>Gross</i>	Cessions <i>Ceded</i>	Montant Net <i>Net</i>	Montant Net <i>Net</i>
Provisions pour primes non acquises <i>Unearned Premium Reserves</i>	€12 353	€(5 384)	€6 969	€4 385
Provisions de sinistres <i>Loss Reserves</i>	2 219	---	---	1 146
Autres provisions techniques <i>Other Reserves</i>	---	---	---	---
Total	€14 572	€(5 384)	€6 969	€5 531

c) Provisions pour risques et charges / Provisions for contingent liabilities

('000 Euros)	Ouverture <i>Opening Balance</i>	Augmentation/ dotation <i>Increase</i>	(Cession/ Reprise) <i>Decrease</i>	Clôture <i>Closing Balance</i>
Provisions pour perte de change <i>Provision for Unrealized FX Loss</i>	€314	€ ---	€(314)	€ ---
Provisions pour indemnités de retraite <i>Provision for Retirement Indemnity</i>	44	33	---	77
Total des provisions pour risques et charges <i>Total Provisions for Contingent Liabilities</i>	€358	€33	€(314)	€77

d) Dettes nées d'opérations de réassurance/ Reinsurance Payables

Ces montants correspondent entièrement aux cessions à CIFG Guaranty dans le cadre des accords de réassurance entre les deux sociétés.

Reinsurance Payables represent amounts payable to CIFG Guaranty under reinsurance agreements between the two companies.

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e) Autres dettes / Other Payables

Au 31 décembre 2005 et 2004, les autres dettes, dues dans moins d'un an, peuvent être détaillées comme suit :

As of December 31, 2005 and 2004, other payables, all due within less than one year, consist of the following:

('000 Euros)	31 Décembre 2005	31 Décembre 2004
Dettes vis-à-vis d'entreprises liées <i>Payables to Related Parties</i>		
CIFG Services	€1 113	€1 001
Dettes vis-à-vis d'autres tiers <i>Total Payables to Third Parties</i>	787	1 132
Total des autres dettes <i>Total Other Payables</i>	€1 900	€2 133

Les dettes vis-à-vis des entreprises liées sont relatives à des prestations de services effectuées pour CIFG Europe par CIFG Services.

Amounts payable to related parties reflect services rendered to CIFG Europe by CIFG Services.

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IV. NOTES SUR LE COMPTE DE RÉSULTAT/ NOTES ON THE PROFIT & LOSS STATEMENT

La société CIFG Europe est agréée exclusivement pour les opérations de la branche 15 «Caution». L'intégralité de ses opérations techniques étant relative à cette branche d'assurance, la ventilation du compte de résultat n'est pas présentée.

As mentioned above, CIFG Europe is exclusively licensed for financial guaranty (*class 15 Surety*), accordingly all of its technical transactions relate to this class of business and a presentation by class of business is not applicable.

a) Primes émises / Written Premiums

En 2005 et 2004, le détail des primes émises est le suivant :

Gross written premiums for 2005 and 2004 can be split as follows:

('000 Euros)	31 Décembre 2005	31 Décembre 2004
Primes émises – France <i>Written Premiums - France</i>	€414	€468
Primes émises – Union Européenne (sauf la France) <i>Written Premiums – EU Countries (other than France)</i>	7 515	5 424
Primes émises – hors Union Européenne <i>Written Premiums – Non EU Countries</i>	9 612	6 071
Total des primes émises <i>Total Written Premiums</i>	€17 541	€11 963

b) Produits financiers nets de charges / Net investment Income

(en '000 Euros)	31 Décembre 2005	31 Décembre 2004
Autres produits de placement <i>Other Investment Income</i>	€587	€272
Plus-values réalisées sur cessions de Sicav <i>Realized Gains on SICAV</i>	239	542
Autres charges de placement <i>Other Investment Expenses</i>	(171)	(398)
Moins-values réalisées sur cessions de Sicav <i>Realized Losses on SICAV</i>	---	---
Total produits nets de placements <i>Total Net Investment Income</i>	€655	€416

c) Effectifs et charges de personnel / Personnel Expenses

(en '000 Euros)	31 Décembre 2005	31 Décembre 2004
Salaires <i>Salaries and Equivalent</i>	€4 439	€3 232
Charges salariales <i>Social Security Expenses</i>	1 270	750
Total des charges du personnel <i>Personnel Expenses</i>	€ 709	€ 982

CIFG Europe a un effectif moyen de 15 pour l'année 2005 et de 11 pour 2004. Cela inclut les bureaux de Paris et de Londres.

The average headcount for CIFG Europe is 15 for 2005 and 11 for 2004. This includes offices in both Paris and London.

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d) Impôt société / Income tax

Le passage du résultat comptable (déficitaire) au résultat fiscal est résumé ci-dessous :

The reconciliation between net result (loss) and income tax basis is given below:

(en '000 Euros)	31 Décembre 2005	31 Décembre 2004
Résultat comptable avant impôts	€ 853	€ 357
<i>Net Result Before Income Tax</i>		
Frais d'acquisitions reportés	(4 508)	(2 368)
<i>Deferred Acquisition Costs</i>		
Autres différences temporaires	1 187	726
<i>Other Temporary Differences (Net)</i>		
Résultat fiscal	(468)	715
<i>Income Tax Basis</i>		
Charge d'impôt courant	€---	€---
<i>Current Tax Charge</i>		

Comme décrit précédemment, les frais d'acquisitions sont différés en application des règles comptables. Néanmoins, les charges correspondantes restent intégralement déductibles d'un point de vue fiscal. En conséquence, l'amortissement futur des frais d'acquisition constituera une charge non déductible d'un point de vue fiscal.

As described above, acquisition costs are deferred for accounting purposes. Nevertheless, the corresponding expenses remain fully deductible as incurred from a tax point of view. As a consequence, the future amortization of the deferred acquisition costs will not be deductible for income tax purposes.

Compte tenu du déficit reportable à fin 2004 pour un montant de €6,2 millions, aucune charge fiscale n'a été constatée au titre de l'exercice 2005. Au 31 décembre 2005, le déficit reportable s'élève donc à €6,7 millions.

No current tax charges have been recorded in 2005 due to the fact that CIFG Europe was in a tax loss position in 2004 for €6.2 million. The remaining net operating loss carryforward is €6.7 millions at December 31, 2005.

V. TRANSACTION AVEC LES ENTREPRISES LIEES / RELATED PARTY TRANSACTIONS

CIFG Europe a signé différents contrats de réassurance avec sa société mère, CIFG Guaranty. Un traité en excédent de sinistres a été signé en Septembre 2001 et amendé en Septembre 2002. Ce traité couvre la totalité du portefeuille de CIFG Europe pour toute perte au-delà de €20 millions, et ce pour la durée de vie des polices émises. Les primes payées à CIFG Guaranty en vertu de ce traité s'élèvent à €1,7 million en 2005 et à €1,0 million en 2004. De plus, en Septembre 2002, CIFG Europe et CIFG Guaranty ont conclu un accord de réassurance facultatif qui permet, sous réserve de l'accord de chaque partie, des cessions de polices individuelles. Les primes émises cédées par CIFG Europe au titre de cet accord se sont élevées à €2,7 millions au 31 décembre 2005 contre €2,5 millions pour l'année 2004.

CIFG Europe has entered into different reinsurance agreements with its parent company CIFG Guaranty. An Excess of Loss treaty has been signed in September 2001 and amended in September 2002. It provides a cover on any loss in excess of a net retention of €20 million for the whole portfolio of CIFG Europe and for the duration of the issued policies. Premiums paid to CIFG Guaranty in respect of this treaty amount to €1.7 million in 2005 and €1.0 million in 2004. In addition, CIFG Europe and CIFG Guaranty have signed a master facultative reinsurance agreement in September 2002, which provides for individual policy cessions, upon mutual agreement of the parties. Premiums paid to CIFG Europe in respect of this treaty were €2.7 million in 2005 and €2.5 million in 2004.

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En 2002, CIFG Europe a aussi signé un accord de réassurance facultative avec CIFG NA, une compagnie d'assurance de garantie financière domiciliée et affiliée à New York et filiale de CIFG Services, une société domiciliée dans le Delaware, filiale de CIFG Guaranty. L'accord cadre couvre la cession de polices individuelles, sur la base d'un accord mutuel des parties. Aucune cession n'a été effectuée dans le cadre de cet accord en 2005 et 2004.

CIFG Europe bénéficie du support technique et administratif de CIFG Services. Les montants facturés par CIFG Services à CIFG Europe dans le cadre de ces prestations de service se sont élevés à €4,1 millions en 2005 et €2,7 millions pour l'année 2004.

CIFG Guaranty et CIFG Holding bénéficient du support administratif de CIFG Europe. Les montants facturés par CIFG Europe à CIFG Guaranty et à CIFG Holding se sont élevés respectivement à €140 milliers et €8 milliers en 2005 et €106 milliers et €8 milliers en 2004.

During 2002, CIFG Europe also entered into a master facultative reinsurance agreement with CIFG North America Inc. (CIFG NA), an affiliated New York domiciled financial guaranty insurance company. This master facultative reinsurance agreement provides for individual policy cessions from CIFG Europe to CIFG NA upon mutual agreement of the parties. There were no cessions made under this agreement during 2005 and 2004.

CIFG Europe has entered into a management services agreement with CIFG Services, a Delaware corporation and wholly-owned subsidiary of CIFG Guaranty, under which CIFG Services provides technical consulting and administrative services to CIFG Europe. During 2005 and 2004, fees of €4.1 million and €2.7 million, respectively, were charged to CIFG Europe by CIFG Services under this agreement.

CIFG Europe also provides administrative services to CIFG Guaranty and CIFG Holding. During 2005 and 2004, €140 thousand and €106 thousand, respectively, were charged by CIFG Europe to CIFG Guaranty, and €8 thousand was charged to CIFG Holding in respect of such services in both 2005 and 2004.

VI. ENGAGEMENTS HORS-BILAN / OFF BALANCE SHEET ITEMS

a) Engagements reçus de CIFG Guaranty / Commitments received from CIFG Guaranty

CIFG Guaranty s'est engagée à apporter son support à sa filiale CIFG Europe et, en particulier, à maintenir à tout moment les fonds propres de cette société à un niveau supérieur à €20 millions.

CIFG Europe has received a support letter from its parent CIFG Guaranty, by which it commits to maintain the net equity of CIFG Europe at no less than €20 million.

b) Engagements reçus de CIFG Holding / Commitments received from CIFG Holding

CIFG Holding s'est portée caution solidaire de CIFG Europe sur tous les engagements de CIFG Europe résultant de transactions souscrites ou à souscrire avec une contrepartie spécifique, entre le 1er janvier 2003 et le 31 décembre 2006. Au 31 décembre 2005, le principal assuré par CIFG Europe avec cette contrepartie se monte à €25,8 millions.

CIFG Holding has provided a joint guaranty to CIFG Europe covering all of CIFG Europe's insured obligations resulting from transactions signed or to be signed with a specific counterparty between January 1, 2003 and December 31, 2006. As of December 31, 2005, the outstanding par insured by CIFG Europe with respect to this counterparty was €25.8 million.

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c) Primes périodiques futures à recevoir / Installment premiums receivables

Au 31 décembre 2005, CIFG Europe estime à €80,8 millions le montant des primes futures à recevoir sur les garanties émises, dont €8,1 millions seront cédés à CIFG Guaranty (sur la base des accords de réassurance actuels). Les montants indiqués ici ne sont pas actualisés, toutefois, c'est leur valeur actuelle qui est utilisée dans l'évaluation de la recouvrabilité des frais d'acquisition reportés.

As of December 31, 2005, the Company estimates that it will collect €80.8 million of future installment premiums on policies in force, of which €8.1 million will be ceded to CIFG Guaranty based upon existing reinsurance agreements. These amounts are not discounted; however, the present value of such amounts is utilized in the assessment of the recoverability of deferred acquisition costs.

d) Garanties émises/ Guarantees in force

Les polices d'assurance émises par CIFG Europe garantissent le paiement du principal et des intérêts sur des obligations de collectivités locales et des titres émis sur des opérations de financement structuré.

The Company's policies guarantee the scheduled payments of principal and interest on municipal and structured debt obligations.

Au 31 décembre 2005 et 2004, le principal assuré, par catégorie d'obligation, se présente comme suit :

The principal amount insured as of December 31, 2005 and 2004 (gross par outstanding and net of amounts ceded to reinsurers), categorized by type of obligation, is as follows:

(en '000 Euros)	Au 31 Décembre 2005		Au 31 Décembre 2004
	Brut / Gross	Net de cessions facultative	Net
Collectivités locales			
<i>Public Finance</i>			
Project Finance	€516 506	360 643	231 236
Sovereign / Sub sovereign	427 531	59 929	40 000
Investor Owned Utilities	297 064	297 064	302 000
Transportation	258 993	258 993	€250 000
Toll roads	183 934	183 935	185 009
Airports	110 000	110 000	---
Other	35 596	35 596	---
Total Collectivités locales	€1 829 624	€1 306 160	€1 008 254
<i>Total Public Finance</i>			
Financements structures			
Structured Finance			
CDO investment Grade	2 374 048	2 374 048	1 694 032
CDO High Yield	1 910 389	1 910 389	766 250
Mortgage-backed	1 031 738	1 031 738	545 037
CDO Asset-backed	684 244	684 244	366 431
Commercial mortgage back	429 201	373 201	269 881
Commercial asset backed	126 695	126 695	73 314
Lease assets	33 785	3 378	3 300
Student Loans	25 339	25 339	---
Auto Loans	22 500	22 500	22 500
Total Financement structure	€6 637 939	€6 551 532	€3 740 745
<i>Total Structured Finance</i>			
Total Principal assuré	€8 467 563	€7 857 692*	€4 748 999*
<i>Total Par Insured</i>			

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Au 31 décembre 2005 et 2004, la décomposition du principal assuré par zone géographique est la suivante :

The principal amounts insured as of December 31, 2005 and 2004 by geographic location are as follows:

(en '000 Euros)	Au 31 Décembre 2005		Au 31 Décembre 2004
	Brut / Gross	Net	Net
Global	€2 554 554	€2 554 554	€1 984 062
<i>Global Diversified</i>			
Grande Bretagne	1 634 606	1 634 606	825 842
<i>UK</i>			
Europe globale	1 495 700	1 495 700	511 000
<i>Europe Diversified</i>			
Etats-Unis	1 103 304	1 072 897	444 844
<i>US</i>			
Italie	520 031	152 429	132 500
<i>Italy</i>			
France	347 161	291 162	299 271
<i>France</i>			
Portugal	285 596	285 596	250 000
<i>Portugal</i>			
Australie	244 053	244 053	228 166
<i>Australia</i>			
Canada	155 863	---	---
<i>Canada</i>			
Turquie	126 695	126 695	73 314
<i>Turkey</i>			
Total Principal assuré	€ 467 563	€ 857 692*	€ 748 999*
<i>Total Par Insured</i>			

Au 31 décembre 2005 et 2004, la décomposition du principal assuré par échéance est la suivante

The principal amounts insured as of December 31, 2005 and 2004 and the terms of maturity are as follows:

(en '000 Euros)	Au 31 Décembre 2005		Au 31 Décembre 2004
	Brut / Gross	Net	Net
Années restant à courir			
<i>Years to Maturity</i>			
Echu dans moins d'un an	€(34 800)	€(47 164)	€(64 898)
<i>Due in 1 year or less</i>			
Entre un et cinq ans	3 384 292	3 281 157	2 465 608
<i>Due after 1 year through 5 years</i>			
Entre cinq et dix ans	3 889 372	3 772 615	1 959 126
<i>Due after 5 years through 10 years</i>			
Entre dix et quinze ans	477 084	362 450	164 907
<i>Due after 10 years through 15 years</i>			
Entre quinze et vingt ans	361 503	253 800	95 628
<i>Due after 15 years through 20 years</i>			
Entre vingt et vingt cinq ans	139 506	38 929	22 889
<i>Due after 20 years through 25 years</i>			
Après vingt cinq ans	250 606	195 905	105 739
<i>Due after 25 years</i>			
Total Principal Assuré	€ 467 563	€ 857 692*	€ 748 999*
<i>Total Par Insured</i>			

* Après les cessions en facultatives proportionnelles, CIFG Europe cèdent à CIFG Guaranty tous les sinistres cumulés qui excèdent €20 millions.

* After the facultative cession, CIFG Europe cedes to CIFG Guaranty all losses above €20 million.

La compagnie limite son exposition aux pertes des garanties financières par un processus

The Company limits its exposure to losses from writing financial guarantees through a formal

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formel d'approbation de crédit et en maintenant une fonction de surveillance qui suit les transactions assurées. De plus, la compagnie atténue le risque de crédit en garantissant des transactions « Investment-grade » et en s'assurant que chaque transaction a un niveau de protection suffisant, que ce soit du fait du collatéral, d'autres mécanismes de subordination ou grâce à la réassurance externe.

credit approval process and by maintaining a surveillance function which monitors insured transactions. Additionally, the Company mitigates credit risk by underwriting investment grade transactions and by requiring adequate collateral and other forms of subordination protection, as well as through reinsurance.

e) Entités ad-hoc / Special Purpose Entities

Dans le cadre de ses activités d'assurance, CIFG Europe a émis des garanties financières en faveur d'une entité ad-hoc, Mogador Ltd. Mogador Ltd est une société domiciliée à Jersey, qui est une filiale de Mogador Trust, un trust domicilié à Jersey. Les polices d'assurance garantissent une protection contre le risque de défaut de l'entité ad-hoc, à ses contreparties dans des contrats d'échange de risque de crédit (Credit Default Swaps). CIFG Europe reçoit des primes calculées selon les conditions du marché et ne détient pas de titres représentatifs du capital ou de dette subordonnée dans Mogador Ltd ou dans Mogador Trust. Au 31 décembre 2005 et 2004, CIFG Europe a émis des garanties financières en faveur de Mogador Ltd pour un total respectif de €7,3 milliards et de €4,3 milliards, ces résultats sont inclus dans le tableau VI d ci-dessus.

In the ordinary course of business, CIFG Europe has issued financial guaranty contracts in favor of a special purpose entity (SPE), Mogador Ltd. Mogador Ltd. is a corporation established in Jersey, which is owned by Mogador Trust, a Jersey-based charitable trust. The financial guaranty contracts generally provide credit protection to protection buyers who have entered into credit default swap transactions with Mogador Ltd. CIFG Europe receives premiums at market rates and does not hold any equity positions or subordinated debt in either Mogador Ltd or Mogador Trust. As of December 31, 2005 and 2004, CIFG Europe has outstanding financial guaranties in favor of Mogador Ltd for a total par value of €7.3 billion and €4.3 billion, respectively, all of which is included in the table VI d) above.

VII. AUTRES INFORMATIONS

a) Entreprise consolidante / Consolidating entity

Les comptes de CIFG Europe sont consolidés dans les comptes de CIFG Holding. Les comptes du Groupe CIFG Holding sont eux-mêmes intégrés globalement par CNCE.

CIFG Europe accounts are included in the consolidated accounts of CIFG Holding. The consolidated financial statements of CIFG Holding are then consolidated with those of its parent company, CNCE.

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b) Remuneration allouée aux membres du Directoire et du Conseil de Surveillance. Avances et crédits accordés aux membres du Directoire et du Conseil de Surveillance / Compensation paid to members of Executive Board and Supervisory Board of CIFG Europe in respect of their functions. Credit and advances granted to these same persons

Au cours des exercices 2005 et 2004, le total des rémunérations allouées aux membres du Directoire au titre de leurs fonctions se monte respectivement à €8 milliers et €8 milliers.

As of December 31, 2005 and 2004, total compensation paid to members of CIFG Europe Executive Board in respect of their functions amounts to €8 thousand.

Aucune rémunération n'a été versée aux membres du Conseil de Surveillance

No compensation was paid to the Supervisory Board members. No credit or advance was paid to the same persons.

c) Evènements postérieurs à la clôture / Post-balance sheet events

Aucun évènement significatif susceptible d'avoir un impact sur les présents comptes n'est intervenu postérieurement à la clôture de l'exercice au 31 Décembre 2005.

No other events have occurred subsequent to the balance sheet date which are likely to have a significant impact on the financial statements of the Company as of December 31, 2005.

ISSUER

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