

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF THE REGISTERED AND BENEFICIAL OWNERS OF THE INSTRUMENTS (AS DEFINED BELOW). ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO THE BENEFICIAL OWNERS IN A TIMELY MANNER, IF INSTRUMENTHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISORS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (IF THEY ARE IN THE UNITED KINGDOM) OR ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISOR AND TAKE SUCH OTHER ADVICE FROM THEIR OWN PROFESSIONAL ADVISERS AS THEY DEEM NECESSARY, IMMEDIATELY

IMPORTANT NOTICE TO THE HOLDERS OF THE

**Class A €1,112,125,000 mortgage backed floating rate notes due March 2046
(the "Class A Notes")**

(Reg S ISIN: XS0350039912)

**Class B £146,000,000 mortgage backed floating rate notes due March 2046
(the "Class B Notes")**

(Reg S ISIN: XS0350047691)

10,000 Residual Certificates (the "Residual Certificates")

(Reg S ISIN: XS0350698873)

issued by Mortgage Funding 2008-1 PLC (the "Issuer")

on or about 18 March 2008

The Class A Notes, the Class B Notes and the Residual Certificates are together referred to as the "**Instruments**" and the holders of the Instruments are together referred to as the "**Instrumentholders**".

Introduction

We refer to the notices from the Issuer dated 24 October 2011, 4 April 2012, 11 June 2012, 12 July 2012, 26 July 2012, 3 August 2012, 20 May 2013, 8 August 2013, 19 August 2013 and 22 August 2013 (the "**Notices**").

Capitalised terms used but not otherwise defined herein shall have the meanings ascribed to them in the Conditions and the master definitions schedule (the "**Master Definitions Schedule**") dated 19 March 2008 entered into between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") (as amended and restated pursuant to the Master Restructuring Agreement (defined below) and the Notices, as the context may require.

The Instruments are admitted to trading on the regulated market of the Irish Stock Exchange Limited. Directive 2003/6/EC of the European Parliament and the Council of 28 January 2003 on insider dealing and market manipulation (market abuse), together with implementing Commission Directives 2003/124/EC of 22 December 2003, 2003/125/EC of 22 December 2003 and 2004/72/EC of 29 April 2004, as implemented by the relevant member states, require disclosure by or on behalf of the Issuer of any inside information concerning the Instruments.

Converted Distributable Hedging Agreement Proceeds

On or about 15 September 2008, the Hedge Guarantors (as defined in the Prospectus) and the Hedge Counterparties (as defined in the Prospectus) filed for Chapter 11 bankruptcy protection in the United States of America. This constituted an event of default under Section 5(a)(vii) of each Hedging Agreement. The Issuer, acting with the consent of the Trustee and pursuant to an Extraordinary Resolution, duly exercised its right to terminate the Hedging Agreements and designated 10 April 2009 as the early termination date under the Hedging Agreements. The Issuer filed a claim of USD 257,063,719.29 against the Hedge Counterparties and Hedge Guarantors for amounts owed under the Hedging Agreements and certain guarantees in favour of the Issuer from the Hedge Guarantors. The Issuer acting with the consent of the Trustee and pursuant to an Extraordinary Resolution entered into a termination and settlement agreement with the Hedge Counterparties, the Hedge Guarantors and the Trustee on 17 July 2012 pursuant to which the parties agreed to stipulate an agreed claim amount at a value of USD205,000,000 (the "**Claims**").

The Issuer has received (i) a distribution in respect of the Claims in an aggregate amount of USD 68,118,466.00 (the "**Termination Proceeds**"), and (ii) proceeds of USD 51,455,000 in respect of the sale of the remaining part of the Claims pursuant to an auction that settled over the course of 21 August and 22 August 2013 (together with the Termination Proceeds, the "**Distributable Hedging Agreement Proceeds**"). The auction was conducted by AgFe on behalf of the Issuer, in its capacity as auction agent, acting with the consent of the Trustee and pursuant to Extraordinary Resolutions of the Instrumentholders dated 5 August 2013 and 16 August 2013.

On 22 August 2013, (acting with the consent of the Trustee and pursuant to an Extraordinary Resolution in writing of all the Instrumentholders dated 19 August 2013 and upon the advice of AgFe), entered into the FX Transaction and converted the Distributable Hedging Agreement Proceeds into Sterling resulting in a conversion of the Distributable Hedging Agreement Proceeds into an amount of £76,772,641.56 (the "**Converted Distributable Hedging Agreement Proceeds**"), which has been or will be credited to the GIC Account on or around the date of this notice.

Conditions 2(g) of the Notes and Condition 2(d) of the Residual Certificates require the Issuer (upon receipt of written instructions from the Trustee to do so), to apply the Converted Distributable Hedging Agreement Proceeds towards payment to suitably rated replacement counterparties in consideration for such counterparties entering into suitable replacement hedging agreements with the Issuer. Rather than applying the Converted Distributable Hedging Agreement Proceeds in that manner, the Instrumentholders have exercised their rights pursuant to paragraph 18.3 of Schedule 4 to the Trust Deed and have entered into Extraordinary Resolutions authorising, empowering, directing and requesting the Trustee to concur with the Issuer in implementing certain restructuring proposals (defined herein).

Establishment of Ledgers

The Issuer has been informed that the Cash/Bond Administrator has opened in the books of the Issuer the following Ledgers:

- (a) a ledger entitled the "Restructuring Costs Ledger", as a Ledger in the Transaction Account;

- (b) a ledger entitled the "GBP Hedging Agreements Proceeds Ledger" as a Ledger in the Transaction Account; and
- (c) a ledger entitled the "Liquidity Reserve Ledger" as a Ledger in the Transaction Account.

Restructuring Proposals

On 22 August 2013, all the Instrumentholders duly passed in writing an Extraordinary Resolution (the "**Redenomination Restructuring Resolution**") to approve, authorise, consent to, sanction and assent to certain restructuring proposals including, amongst others, the A Notes Redenomination Proposals, the B Note Writedown Proposals, the B Notes Margin Amendment Proposals, the Crediting to Ledgers Proposals, the Redenomination Restructuring Costs Proposals, the Costs Waterfall Proposals, the Extraordinary Waterfall Proposals and the PECO Termination Proposals (each as defined below) in connection with the Transaction Documents and the Instruments, which will be documented and effected by the documents described below (together, the "**Restructuring Proposals**").

Whilst the below provides a summary of material aspects of the Restructuring Proposals, Instrumentholders are advised to read the Master Restructuring Agreement, the Restated Securitisation Documents and the Instruction Letters (each as defined below and each of which is available for inspection by Instrumentholders as specified below) in full:

- (a) a master restructuring agreement between, the Issuer, the Trustee, SPML, the Sellers, the Mortgage Administrator, the Cash/Bond Administrator, the Account Bank, the GIC Provider, the Collection Account Bank, PMCL, OptionCo, the Principal Paying Agent, the Agent Bank, the Registrar and the Transfer Agent, (the "**Master Restructuring Agreement**") which will be nominated a Transaction Document and includes by way of summary, the following:
 - (i) on 23 August 2013 (the "**Restatement Date**"), the Pool Factor applicable to the A Notes will be reduced to 0.49882000 and the A Notes will be redenominated from euro to Sterling at the rate of 0.85695 and such pool factor reduction and redenomination will be deemed to have been effective for all purposes (including, without limitation, the calculation of interest) as of the Interest Payment Date falling in June 2013, which will leave the Principal Amount Outstanding of the A Notes at £554,750,192.50 as more particularly described in the Master Restructuring Agreement (the "**A Notes Redenomination Proposals**");
 - (ii) as part of and in connection with the A Notes Redenomination Proposals, on or as soon as practicable after the Restatement Date the Cash/Bond Administrator shall instruct the Account Bank to close the Issuer's USD Account and the Euro Account (and any balances shall be converted from euro to Sterling at the prevailing spot rate of exchange and such Sterling converted balances shall be transferred to the Transaction Account) as more particularly described in the Master Restructuring Agreement;
 - (iii) on the Restatement Date, the Pool Factor applicable to the B Notes will be permanently reduced to 0.68532000 resulting in a Principal Amount Outstanding of the B Notes of £100,056,720.00 with such reduction being deemed to be effective for all purposes (including the calculation of

interest) as of the Interest Payment Date falling in June 2013 as more particularly described in the Master Restructuring Agreement (the “**B Note Writedown Proposals**”);

- (iv) on the Restatement Date, the B Note Margin shall be amended and increased to 3.20 per cent. per annum with such amendment and increase being deemed to be effective for all purposes (including the calculation of interest) as of the Interest Payment Date falling in June 2013 as more particularly described in the Master Restructuring Agreement (the “**B Notes Margin Amendment Proposals**”);
- (v) the Cash/Bond Administrator (on the Issuer’s behalf) shall procure that:
 - (1) an amount equal to 1,170,000 of the Converted Distributable Hedging Agreement Proceeds (the “**Redenomination Restructuring Transaction Costs**”) be transferred from the GIC Account and credited to the Transaction Account and the Restructuring Costs Ledger for value on 13 September 2013 (the “**Waterfall Effective Date**”); and
 - (2) an amount equal to £75,602,641.56 of the Converted Distributable Hedging Agreement Proceeds shall be transferred from the GIC Account and credited to the Transaction Account and the GBP Hedging Agreement Proceeds Ledger for value on the Waterfall Effective Date,

as more particularly described in the Master Restructuring Agreement (together, “**Crediting to Ledgers Proposals**”);
- (vi) on the Waterfall Effective Date, the Cash/Bond Administrator (on behalf of the Issuer) shall procure that the Redenomination Restructuring Transaction Costs shall be applied to the extent required to pay the commission due to AgFe for its services in connection with the Auction and the fees, costs, disbursements expenses and other amounts incurred up to (but not including) the Determination Date falling in September 2013 by the parties to the Master Restructuring Agreement (other than the Trustee and the Issuer which fees, costs, disbursements, expenses and other amounts so incurred it is agreed by the parties shall be paid from the Available Revenue Funds) and the Instrumentholders. To the extent that the amounts credited to the Restructuring Costs Ledger exceed the amount required to pay such fees, costs, disbursements, expenses and other amounts, the excess shall be applied for the purpose set out in paragraph) vii below. To the extent that the amounts credited to the Restructuring Costs Ledger are insufficient to pay such fees, costs, disbursements, expenses and other amounts, the shortfall shall be paid out of the Available Revenue Funds and rank for payment at paragraph 2(g)(iv) of the Restated Conditions and paragraph 2(d)(iv) of the Restated Residual Certificate Conditions as more particularly described in the Master Restructuring Agreement (the “**Redenomination Restructuring Costs Proposals**”);

- (vii) On the Interest Payment Date falling in December 2013, the Cash/Bond Administrator (on behalf of the Issuer) shall procure that any amounts of the Converted Distributable Hedging Agreement Proceeds that remain in the GIC Account after the application of the amounts set out in paragraph vi above and viii below (if any) (the "**Notes Restructuring Transaction Costs**"), shall be transferred to the Transaction Account and credited to the Restructuring Costs Ledger. On the Interest Payment Date falling in December 2013, the Cash/Bond Administrator shall procure that the Notes Restructuring Transaction Costs shall be applied to the extent required (in each case making an appropriate debit to the Restructuring Costs Ledger) to pay the fees, costs, expenses, disbursements and other amounts incurred up to and including the Note Restructuring Effective Date by the parties to the Master Restructuring Agreement (other than the Trustee and the Issuer which fees, costs, disbursements, expenses and other amounts so incurred it is agreed by the parties shall be paid from the Available Revenue Funds) and the Instrumentholders, with respect to the A Note Restructuring and/or the B Note Restructuring (as applicable), in each case, to the extent such category of fees, costs, expenses disbursements or other amount are not included in paragraph 2(g)(i) or (ii) of the Restated Conditions or paragraph 2(d)(i) or (ii) of the Restated Residual Certificate Conditions as more particularly described in the Master Restructuring Agreement (the "**Note Restructuring Transaction Costs Proposals**" and together with the Redenomination Restructuring Costs Proposals, the "**Costs Waterfall Proposals**");
- (viii) on the Waterfall Effective Date, the Cash/Bond Administrator shall procure that the amounts credited to the GBP Hedging Agreement Proceeds Ledger are applied as follows (in each case making an appropriate debit to the GBP Hedging Agreement Proceeds Ledger):
- (1) *first*, an amount of £50,901,961.25 to be paid, *pari passu* and *pro rata*, to the A Noteholders, such amount to be applied in partial redemption of the A Notes
 - (2) *second*, an amount of £10,700,340 to be paid, *pari passu* and *pro rata*, to the B Noteholders, such amount to be applied in partial redemption of the B
 - (3) *third*, £2,000,340.31 to be applied to the credit of the Liquidity Reserve Ledger; and
 - (4) *fourth*, any remaining amounts standing to the credit of the GBP Hedging Agreements Proceeds Ledger to be paid, *pari passu* and *pro rata*, to the Residual Certificateholders as a distribution on the Residual Certificates,
- (the "**Extraordinary Waterfall Proposals**");
- (ix) on the Restatement Date but immediately after the amendment and restatement of the Deed of Charge (the "**PECO Termination Date**"), the Post Enforcement Call Option Agreement shall be terminated and all

parties thereto agree to the release and termination in full of all obligations, guarantees, covenants, indemnities and undertakings including an unconditional and irrevocable release by the Trustee of the Issuer's rights title and interest in the Post Enforcement Call Option Agreement from the Security Interests created by the Issuer pursuant to the Deed of Charge and a waiver and release of any rights against each other arising out of or in connection with the Post Enforcement Call Option Agreement (the "**PECO Termination Proposals**");

- (x) that with effect on and from the Restatement Date, the Master Definitions Schedule, the Trust Deed, the Deed of Charge (as supplemented by a supplemental deed dated 28 September 2013), the Cash/Bond Administration Agreement, the Bank Agreement, the GIC Agreement, the Mortgage Administration Agreement, the A Global Note, the B Global Note and the Global Residual Certificate (the "**Original Securitisation Documents**") will be amended and restated in the forms annexed to the Master Restructuring Agreement (the "**Restated Securitisation Documents**"), which includes in the schedules to the Trust Deed, amended Conditions, which are the terms applicable to the Notes amended and restated as set out below in the section entitled "*Restated Terms and Conditions of the Notes*" (the "**Restated Conditions**") and the Residual Certificate Conditions, which are the terms applicable to the Residual Certificates as set out below in the section entitled "*Restated Residual Certificate Conditions*" (the "**Restated Residual Certificate Conditions**"). The terms of the Restated Securitisation Documents reflect material changes to the Original Securitisation Documents to amongst other things, implement the proposals set out in the Restated Conditions and the Restated Residual Certificate Conditions. Instrumentholders are encouraged to read the Restated Securitisation Documents in full;
- (xi) in connection with the Restructuring Proposals, the Trustee:
 - (1) concurs with, consents to and confirms its agreement to:
 - a. the Issuer entering into the Master Restructuring Agreement and implementing the Restructuring Proposals and in each case performing its obligations contemplated thereby; and
 - b. the Issuer concurring with, consenting to and directing each of the Cash/Bond Administrator, the Registrar, the Principal Paying Agent and each other Party hereto to enter into the Master Restructuring Agreement and implement the Restructuring Proposals and in each case performing its obligations contemplated thereby;
 - (2) waives all breaches or proposed breaches by the Issuer or the other parties to the Master Restructuring Agreement of the provisions of the Transaction Documents, the Instruments, the Bank Mandate – Termination Payment Reserve Account dated 28 September 2012 and the Cash/Bond Administrator

Instruction Letter dated 28 September 2012 (that relate to the Supplemental Deed to the Deed of Charge and dated 28 September), that may occur in connection with entering into this Agreement and implementing the Restructuring Proposals; and

- (3) determines that any actions taken by the Issuer or the parties to the Master Restructuring Agreement pursuant to or in connection with the Master Restructuring Agreement or in connection with the implementation of the Restructuring Proposals which constitute an Event of Default or Potential Event of Default in respect of the Instruments shall not be treated as such;
- (xii) in connection with the Restructuring Proposals, the Issuer (with the consents referred to in paragraph xi above) concurs with, consents to and directs the Cash/Bond Administrator, the Registrar, the Principal Paying Agent and each other Party hereto to enter into the Master Restructuring Agreement and implement the Restructuring Proposals, in each case performing its obligations contemplated thereby;
- (xiii) in connection with the Restructuring Proposals, the parties waive the following:
 - (1) any and all requirements, restrictions or conditions precedent set forth in the Transaction Documents on any person in respect of entering into the Master Restructuring Agreement and the transactions contemplated hereby;
 - (2) the obligation on the Cash/Bond Administrator to deliver the Performance Report within 10 Business Days following the Interest Payment Date falling in September 2013, provided that the Cash/Bond Administrator delivers the Performance Report within 15 Business Days following the Interest Payment Date falling in September 2013; and
 - (3) the requirement contained in the Restated Securitisation Documents and in clause 11.2 of the Master Securitisation Agreement to obtain rating agency approval or confirmation that the then current ratings of the Notes will not be adversely affected thereby;
- (b) an instruction letter from the Issuer to the Principal Paying Agent as part of and in connection with the B Notes Margin Amendment Proposals, which notifies the Principal Paying Agent that the Screen Rate applicable to the A Notes and the B Notes for the Interest Period commencing on 13 June 2013, is 0.505750% and therefore for the Interest Period commencing on 13 June 2013, the Rate of Interest applicable to the A Notes (including the Relevant Margin) is 1.605750% and the Rate of Interest Applicable to the B Notes (including the Relevant Margin) is 3.705750% (the “**Instruction Letter – Amendment to Screen Rate**”); and

- (c) an instruction letter from the Issuer to the Principal Paying Agent and the Common Depository in connection with the A Note Redenomination Proposals and the B Note Writedown Proposals (the “**Instruction Letter – A Note Redenomination/B Note Writedown and GBP Hedging Agreement Proceeds**” and together with the Instruction Letter – Amendment to Screen Rate, the “**Issuer Instruction Letters**”).

On 23 August 2013 the Master Restructuring Agreement was entered into by the parties thereto and Issuer executed the Instruction Letters, each in connection with the implementation of the Restructuring Proposals which will take effect on the dates referred to in the paragraph (a) above.

Acknowledgment of Risks

The following is a summary of certain aspects of the Master Restructuring Agreement and the Restructuring Proposals about which Instrumentholders and prospective Instrumentholders should be aware. The summary is not intended to be exhaustive and prospective Instrumentholders should take their own advice in connection with the risks associated with the Instruments or any investment therein. Nothing in this notice should be considered as a recommendation or as constituting an invitation or offer to buy or the solicitation of an offer to subscribe for or purchase any Instruments or any other securities in any jurisdiction. Each investor contemplating subscribing for or purchasing or selling any Instruments should make its own independent investigation of the Instruments and take its own advice in connection with any risks associated therewith or otherwise.

Instrumentholders' acknowledgments

In the Redenomination Restructuring Resolution, the Instrumentholders:

- (a) resolved to discharge, release and exonerate the Trustee and the Issuer from any and all liability for which it may have become or may become responsible under the Instruments, the Transaction Documents, the A Global Note, the B Global Note or the Global Residual Certificate in respect of any act or omission in connection with the Restructuring Proposals, the modifications to the Transaction Documents, the A Global Note, the B Global Note or the Global Residual Certificate referred to in the Redenomination Restructuring Resolution or their respective implementation;
- (b) waived, other than as expressly provided in the Redenomination Restructuring Resolution, any and all requirements, restrictions or conditions precedent set forth in the Transaction Documents on any person in respect of entering into the Master Restructuring Agreement and implementing the Restructuring Proposals;
- (c) confirmed that they have formed their own view in relation to the actions arising out of the Redenomination Restructuring Resolution without any reliance on the Issuer or the Trustee or their respective advisers;
- (d) acknowledged and agreed that the terms of the Redenomination Restructuring Resolution have not been formulated by the Trustee or the Issuer neither of whom expresses any view on them, and nothing in the Redenomination Restructuring Resolution or otherwise should be construed as a recommendation to the Instrumentholders from the Trustee or the Issuer to either approve or reject the Redenomination Restructuring Resolution or implement the Restructuring Proposals;
- (e) acknowledged and agreed that the Trustee and the Issuer have not been involved in the formulation of the Redenomination Restructuring Resolution or the Restructuring Proposals therein and that, in accordance with normal practice, neither the Trustee nor the Issuer expresses any opinion on the merits (or otherwise) of the Redenomination Restructuring Resolution or the Restructuring Proposals;

- (f) acknowledged and agreed that neither the Trustee nor the Issuer are responsible for the accuracy, completeness, validity or correctness of the statements made and documents referred to in the Redenomination Restructuring Resolution or the Restructuring Proposals or any omissions from the Redenomination Restructuring Resolution or the Restructuring Proposals;
- (g) confirmed that the Instrumentholders have consulted their own independent legal, financial, tax and other professional advisers and conducted such due diligence as they consider necessary or appropriate for the purposes of considering the Redenomination Restructuring Resolution and the Restructuring Proposals and have made their own judgment in connection therewith are not relying (for the purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral), of the Issuer or the Trustee and they further acknowledged and agreed that neither the Issuer nor the Trustee have given (directly or indirectly through any other person), any assurance, guarantee, or representation whatsoever as to the expected or projected success profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of the Redenomination Restructuring Resolution or the Restructuring Proposals; and
- (h) confirmed that the Instrumentholders are sophisticated investors familiar with transactions similar to their investment in the Instruments and they are acting for their own account, and have made their own independent decisions in respect of passing the Redenomination Restructuring Resolution and signed the Redenomination Restructuring Resolution with a full understanding of all the terms, conditions and risks associated with or that exist or may exist now or in the future in connection with the Redenomination Restructuring Resolution and the Restructuring Proposals and the Instrumentholders further confirmed that they are capable of assuming and willing to assume (financially or otherwise) those risks.

Rating of the Notes

The Rating Agencies have not confirmed that the applicable ratings of the Instruments (if any) will not be downgraded, suspended, withdrawn or qualified as a result of the execution of the Master Restructuring Agreement or in connection with the implementation of the Restructuring Proposals or any part of them and as a result there can be no assurance that such ratings will not be so downgraded, suspended, withdrawn or qualified.

No hedging

In light of the amendments made pursuant to the Master Restructuring Agreement, the Issuer will not enter into any hedging arrangement in respect of the Instruments to mitigate potential risks including, without limitation, risks associated with rising interest rates, increase in Note Sterling LIBOR or any potential mismatch between Loan BBR and Note Sterling LIBOR or otherwise, which in each case might lead to a shortfall in amounts available to make payments in respect of the Instruments or a downgrade, suspension, withdrawal or qualification of the Instruments by one or more of the Rating Agencies.

No legal opinions

The Instrumentholders have resolved that neither the Trustee nor the Issuer shall be required to request or receive any legal opinions in connection with the Restructuring Proposals and their implementation or the Master Restructuring Agreement and as such neither the Issuer nor the Trustee have the benefit of any legal opinion in connection therewith regarding capacity, authority, enforceability, validity of security or any other matters including taxation.

Limited Recourse

Pursuant to the amendments made to the Original Securitisation Documents in the Master Restructuring Agreement, the Instruments will be limited recourse obligations of the Issuer. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments, the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Issuer to the Instrumentholders in full for any reason, the amounts will cease to be due and payable by the Issuer. No other assets of the Issuer will be available to satisfy claims of Instrumentholders or any other Secured Parties. The limited recourse provisions included in the Restated Securitisation Document are binding on current and future Instrumentholders and will limit the recourse of Instrumentholders for payment of principal and interest on the Notes, and payment of RC Distributions on the Residual Certificates, to the proceeds of realisation of the Charged Property.

On the Final Maturity Date or following final distribution of net proceeds of enforcement of the Security, if the Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer's obligations to the Instrumentholders, then the Instrumentholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

Note Restructuring

Certain provisions of the Restated Securitisation Documents refer to certain proposals, which involve the issue of new instruments by the Issuer on the date on which certain conditions are satisfied on or prior to 14 November 2013, which include the Central Bank of Ireland issuing a notice of the approval of a new prospectus in connection with the issue of new instruments to the Issuer and the Issuer confirming in writing that it has received any authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration or other document, opinion or assurance which it considers (acting reasonably) to be necessary or desirable in connection with such prospectus, the A Note Restructuring and/or the B Note Restructuring, as applicable. There can be no assurance that these or the other conditions will be satisfied and in which case certain provisions of the Restated Securitisation Documents shall not take effect as more particularly described therein.

Taxation

This notice does not address the tax consequences of the Restructuring Proposals. Instrumentholders who are in any doubt as to the tax position are encouraged to obtain specific tax advice, and in connection therewith reference is made to the foregoing confirmations and acknowledgments from the Instrumentholders.

Costs of Restructuring Proposals

The Instrumentholders have not expressly indemnified the Issuer or the Trustee in connection with the implementation of the Restructuring Proposals. The payment of costs in connection

with the Restructuring Proposals are described in the Master Restructuring Agreement and the Restated Securitisation Documents, as summarised in this notice.

However, there can be no assurance that costs the implementation of the Restructuring Proposals will not cause the parties to the Restated Securitisation Documents to incur additional costs including without limitation in connection with the satisfaction of the Note Restructuring Conditions (if at all) and such costs will be required to be paid by the Issuer in accordance with the Priority of Payments, which might lead to a shortfall in amounts available to make payments in respect of the Instruments or a downgrade, suspension, withdrawal or qualification of the Instruments by one or more of the Rating Agencies.

Compliance with new European Regulations

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Prospective investors in the Instruments are responsible for analysing their own regulatory position and none of the Issuer and the Trustee makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment at any time.

In particular but without limitation, in Europe, prospective investors and the Instrumentholders should be aware of Article 122a of the CRD which applies in general to new securitisations issued on or after 1 January 2011 and, after 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after 31 December 2014. Article 122a restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has a comprehensive and thorough understanding of the key terms and risks of the transaction and it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

The Issuer has not undertaken any investigation as to whether Article 122a of the CRD applies in respect of the Instruments, so investors which are EU regulated credit institutions should make themselves aware of the requirements of Article 122a (and any implementing rules in relation to a relevant jurisdiction) in addition to any other regulatory requirements applicable to them with respect to their investment in the Instruments. Relevant investors are required to independently assess and determine the sufficiency of the information provided or made available in connection with transaction or the Instruments for the purpose of complying with Article 122a and none of the Issuer nor any other party to the transaction makes any representation that the information described above is sufficient in all circumstances for such purposes.

In particular, there remains considerable uncertainty with respect to Article 122a and it is not clear what will be required to demonstrate relevant compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance with Article 122a should seek guidance from their regulator as well. Similar requirements to those set out in Article 122a are expected to be implemented for other EU-regulated investors (such as investment firms, insurance and reinsurance undertakings and certain hedge fund managers) in the future.

Finally, Article 122a and any other changes to the regulation or regulatory treatment of the Instruments for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Instruments in the secondary market.

Modification of Euroclear and Clearstream, Luxembourg records

The Master Restructuring Agreement, the Restructuring Proposals and the Instruction Letters contemplate modifications to the Transaction Documents, the A Global Note, the B Global Note and Global Residual Certificates, which require corresponding modifications to the books and records of, amongst others, Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg are under no obligation to make such modifications or implement the proposals in the Master Restructuring Agreement, the Restructuring Proposals or the Instruction Letters, nor can there be any assurance that any actions taken, or any procedures implemented, by Euroclear and Clearstream, Luxembourg in connection therewith will be adequate to ensure the timely exercise of remedies under the Transaction Documents or otherwise. Neither the Issuer nor the Trustee, nor any of their agents will have any responsibility for the performance (timely or otherwise) by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations including, without limitation any modifications to their books, records or systems proposed to be made that were not made or were made in part only or in any way incorrectly or not in the manner envisaged in connection with the Master Restructuring Agreement, the Restructuring Proposals or the Instruction Letters or otherwise. Instrumentholders and prospective Instrumentholders should be aware that any interests in the Instruments will be subject to the terms of the Master Restructuring Agreement, the Restructuring Proposals or the Instruction Letters notwithstanding that any modifications therein have not been accurately reflected in the books and records of Euroclear or Clearstream, Luxembourg, which might affect future payments in connection with the Instruments or their value, price or liquidity in the secondary market.

Restated Terms and Conditions of the Notes

TERMS AND CONDITIONS OF THE NOTES

If Notes in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Note would be as set out below. While the Notes remain in global form, the same terms and conditions govern such Notes, except to the extent that they are appropriate only to Notes in definitive form. These terms and conditions are subject to the detailed provisions of the Trust Deed and the Deed of Charge.

The €1,112,125,000 Class A Mortgage Backed Floating Rate Notes due March 2046 (the “**A Notes**”) and the £146,000,000 Class B Mortgage Backed Floating Rate Notes due March 2046 (the “**B Notes**”) were issued by Mortgage Funding 2008-1 PLC (the “**Issuer**”) on 19 March 2008 (the “**Closing Date**”). On or about 23 August 2013 (the “**Redenomination Date**”), the A Notes were redenominated in sterling effective as of 13 June 2013, resulting in a Principal Amount Outstanding of the A Notes of £554,750,192.50. On the Redenomination Date, at the same time as the redenomination of the A Notes, a corresponding principal amount of the B Notes was reduced resulting in a Principal Amount Outstanding of the B Notes of £100,056,720 and the margin on the B Note was increased to the Relevant Margin (as defined herein), each also deemed to be effective as of 13 June 2013. On the Note Restructuring Effective Date (as defined herein), (a) the Principal Amount Outstanding of the A Notes will be reduced by way of a partial cancellation of principal to result in the A2 Note Restructuring Amount, the A Notes will be amended and the A Notes will be renamed the “**A2 Notes**” and A1 Notes (the “**A1 Notes**”) with an initial Principal Amount Outstanding equal to the A1 Note Restructuring Amount will be issued by the Issuer, in each case, on the terms set out herein (the “**A Note Restructuring**”), and/or (b) the Principal Amount Outstanding of the B Notes will be reduced by way of a partial cancellation of principal to result in the B2 Note Restructuring Amount, the B Notes will be amended and the B Notes will be renamed the “**B2 Notes**” and B1 Notes (the “**B1 Notes**”) with an initial Principal Amount Outstanding equal to the B1 Note Restructuring Amount will be issued by the Issuer, in each case, on the terms set out herein (the “**B Note Restructuring**”). If the Note Restructuring Effective Date does not occur prior to 14 November 2013, neither the A Note Restructuring nor the B Note Restructuring will take place.

The Notes (as defined herein) are constituted by a trust deed dated as of the Closing Date and amended and restated as of 23 August 2013 (as may be further amended, restated and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed pursuant to the Trust Deed) for the holders for the time being of the Notes and are subject to a master securitisation agreement dated as of the Closing Date and the paying agency agreement set out in schedule 8 thereof (as amended, restated and/or supplemented from time to time, the “**Paying Agency Agreement**”) between, among others, the Issuer, The Bank of New York Mellon acting through its London Branch as agent bank (in such capacity, the “**Agent Bank**” which expression includes any successor agent bank appointed from time to time in connection with the Notes) and as principal paying agent (in such capacity, the “**Principal Paying Agent**” which expression includes any successor principal paying agent appointed from time to time in connection with the Notes and together with any further or other paying agents for the time being appointed in respect of the Notes, the “**Paying Agents**”), The Bank of New York Mellon (Luxembourg) S.A. as registrar for the Notes (in such capacity, the “**Registrar**” which expression includes any successor registrar appointed from time to time in connection with the Notes) and as transfer agent for the Notes (together with any successor or additional transfer agent appointed from time to time in connection with the Notes, the “**Transfer Agents**”) and the Trustee. The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (as amended, restated and/or supplemented from time to time, the “**Deed of Charge**”) dated as of the Closing Date and amended and restated as of 23 August 2013 between, among others, the Issuer and the Trustee, and supplemented pursuant to, and on the terms set out in, the Supplemental Deed.

Copies of the Transaction Documents are available for inspection by the Instrumentholders upon reasonable notice during normal business hours at the principal office for the time being of the Trustee, being at the Closing Date at One Canada Square, London E14 5AL and at the specified offices for the time being of the Paying Agents.

The statements in these conditions relating to the Notes (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Paying Agency Agreement and the other Transaction Documents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge and each other Transaction Document.

Capitalised words and expressions which are used in these Conditions, shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule set out in schedule 1 (*Master Definitions Schedule*) of the Master Securitisation Agreement dated as of the Closing Date between, among others, the Issuer, the Mortgage Administrator, the Trustee, the Principal Paying Agent and the Sellers (as may be amended, restated and/or supplemented from time to time). The following capitalised words and expressions shall have the following meanings:

“A1 Note Restructuring Amount” means, if the A Note Restructuring occurs, the amount notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each by Extraordinary Resolution (such Extraordinary Resolution to be made by way of written resolution), such amount being (i) the amount by which the Principal Amount Outstanding of the A Notes shall be reduced on the Note Restructuring Effective Date and (ii) the initial Principal Amount Outstanding of the A1 Notes on the Note Restructuring Effective Date; *provided* that under no circumstances shall the sum of the A1 Note Restructuring Amount and the A2 Note Restructuring Amount be greater than the Principal Amount Outstanding of the A Notes on the Note Restructuring Effective Date prior to the A Note Restructuring.

“A2 Note Restructuring Amount” means, if the A Note Restructuring occurs, the amount notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each by Extraordinary Resolution (such Extraordinary Resolution to be made by way of written resolution), such amount being equal to the Principal Amount Outstanding of the A Notes immediately prior to the Note Restructuring Effective Date less the A1 Note Restructuring Amount; *provided* that under no circumstances shall the sum of the A1 Note Restructuring Amount and the A2 Note Restructuring Amount be greater than the Principal Amount Outstanding of the A Notes on the Note Restructuring Effective Date prior to the A Note Restructuring.

“Actual Redemption Funds” means, at any Determination Date, an amount calculated as the aggregate of:

- (a) the amount standing to the credit of the Principal Ledger;
- (b) the amount (if any) calculated on that Determination Date to be the amount by which the Principal Deficiency is expected to be reduced by the application of the Available Revenue Fund on the immediately succeeding Interest Payment Date;
- (c) (as at the first Determination Date only) the amount (if any) standing to the credit of the Prefunding Ledger and the Newly-Originated Loans Ledger on the first Determination Date which is not allocated for the purpose of purchasing the Prefunded Loans and the Newly-Originated Loans, respectively, on or before the first Interest Payment Date; and
- (d) Loan Sale Principal Proceeds.

“Affiliate” means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, **“control”** of a person means the power, direct or indirect (i) to vote more than 50 per cent of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

“Appointee” means any attorney, manager, agent, delegate, nominee, custodian, receiver, administrative receiver or other person appointed by the Trustee under the Trust Deed or the Deed of Charge.

“Apportionment Factor” means in relation to (a) the first Interest Payment Date, the number of days in the first Interest Period divided by 365; and (b) any other Interest Payment Date, 0.25.

“Available Revenue Ledger” means the Ledger of such name created by the Cash/Bond Administrator pursuant to the terms of the Cash/Bond Administration Agreement.

“B1 Note Restructuring Amount” means, if the B Note Restructuring occurs, the amount notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each by Extraordinary Resolution (such Extraordinary Resolution to be made by way of written resolution), such amount being (i) the amount by which the Principal Amount Outstanding of the B Notes shall be reduced on the Note Restructuring Effective Date and (ii) the initial Principal Amount Outstanding of the B1 Notes on the Note Restructuring Effective Date; *provided* that under no circumstances shall the sum of the B1 Note Restructuring Amount and the B2 Note Restructuring Amount be greater than the Principal Amount Outstanding of the B Notes on the Note Restructuring Effective Date prior to the B Note Restructuring.

“B2 Note Restructuring Amount” means, if the B Note Restructuring occurs, the amount notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each by Extraordinary Resolution (such Extraordinary Resolution to be made by way of written resolution), such amount being equal to the Principal Amount Outstanding of the B Notes immediately prior to the Note Restructuring Effective Date less the B1 Note Restructuring Amount; *provided* that under no circumstances shall the sum of the B1 Note Restructuring Amount and the B2 Note Restructuring Amount be greater than the Principal Amount Outstanding of the B Notes on the Note Restructuring Effective Date prior to the B Note Restructuring.

“Basic Terms Modification” means, *inter alia*: (a) a modification to the date of maturity of the Notes; (b) a modification which would have the effect of changing any day for payment of interest in respect of the Notes; (c) changes to the amount of principal payable in respect of the Notes; (d) the alteration of the Rate of Interest applicable in respect of the Notes; (e) the alteration of the majority required to pass an Extraordinary Resolution; (f) the alteration of the currency of payment of the Notes; or (g) any alteration of the priority of redemption of the Notes.

“Business Day” means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dublin.

“Class” means, as applicable, (i) prior to the Note Restructuring Effective Date, the A Notes and the B Notes and (ii) on or after the Note Restructuring Effective Date:

- (a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Notes, the A2 Notes and the B Notes; or
- (b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Notes, the B1 Notes and the B2 Notes; or
- (c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Notes, the A2 Notes, the B1 Notes and the B2 Notes,

or, in each case, any of them, as the context requires.

“Determination Date” means the third Business Day of the calendar month in which an Interest Payment Date occurs.

“Extraordinary Resolution” means (a) a resolution passed at a meeting of the relevant Class or if multiple Classes are voting on the resolution, at a meeting of such Classes or separate meetings of each Class, as the case may be, duly convened and held in accordance with the Trust Deed by a majority at each such meeting consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75 per cent. of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of all the Noteholders of the relevant Class or Classes, as the case may be, *provided* that a resolution to amend the definition of Permitted Activities or to request that the Issuer undertake any action that is not Permitted Activities shall be required to be passed by holders of not less than 50 per cent. of each of (x) the aggregate Principal Amount Outstanding of the Notes and (y) the Total Number Outstanding of the Residual Certificates.

“Independent Director” means a duly appointed member of the board of directors of the relevant entity who should not have been, at the time of such appointment, or at any time in the preceding five years, a direct or indirect legal or beneficial owner in such entity or any of its affiliates (excluding de minimis ownership interests).

“Interest Determination Date” means the first day of the Interest Period to which the Rate of Interest shall apply.

“Interest Period” means the period from (and including) an Interest Payment Date (or the Closing Date) to (but excluding) the next (or first) Interest Payment Date.

“ISDA” means the International Swaps and Derivatives Association Inc.

“junior” means, with respect to any Class, the Class or Classes then outstanding having a lower priority than such Class in the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments.

“Liquidity Reserve Amount” means the amount set forth as such in the Master Restructuring Agreement or the amended amount as notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each acting by Extraordinary Resolution in the form of a written resolution; *provided* that upon (i) the redemption in full of the A Notes (if the A Note Restructuring has not occurred) or the A1 Notes (if the A Note Restructuring has occurred) or (ii) the occurrence of an Event of Default, the Liquidity Reserve Amount shall be zero.

“Loan Sale Interest Proceeds” means all Loan Sale Proceeds other than Loan Sale Principal Proceeds.

“Loan Sale Principal Proceeds” means principal amounts representing the sale proceeds in respect of any Loan sold by the Issuer where such amounts are not applied by the Issuer (or designated by the Issuer to be so applied) to the purchase of Additional Loans.

“London Business Day” means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

“Most Senior Class of Notes” means, prior to the Note Restructuring Effective Date:

- (a) the A Notes; or
- (b) if no A Notes are then outstanding, the B Notes; and

on or after the Note Restructuring Effective Date:

- (a) the A1 Notes (if any);
- (b) if no A1 Notes are then outstanding, the A Notes or the A2 Notes (as applicable);
- (c) if no A1 Notes, A Notes or A2 Notes are then outstanding, the B1 Notes (if any); or
- (d) if no A1 Notes, A Notes, A2 Notes or B1 Notes are then outstanding, the B Notes or the B2 Notes (as applicable).

“Note Restructuring Conditions” means each of the following occurring on or prior to Thursday 14 November 2013:

- (a) the Central Bank of Ireland issuing notice of approval of the Note Restructuring Prospectus to the Issuer;
- (b) the A Noteholders resolving by Extraordinary Resolution, the B Noteholders resolving by Extraordinary Resolution and the Residual Certificateholders resolving by Extraordinary Resolution (each such

Extraordinary Resolution to be made by way of written resolution) to authorise, empower, direct and request the Trustee to concur with the Issuer in giving effect to the A Note Restructuring and/or the B Note Restructuring (as specified in such Extraordinary Resolutions) and amending the A Notes and/or the B Notes (as relevant) on the terms set out herein, together with any other authorisations, directions and requests reasonably required by the Trustee and the Issuer to effect the relevant Note restructuring; and

- (c) the Issuer confirming in writing that it has received any authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration or other document, opinion or assurance which it considers (acting reasonably) to be necessary or desirable in connection with the Note Restructuring Prospectus, the A Note Restructuring and/or the B Note Restructuring, as applicable.

“Note Restructuring Effective Date” means the date on which the Issuer notifies the Trustee that it has determined that the Note Restructuring Conditions are satisfied.

“Note Restructuring Prospectus” means a prospectus, in a form agreed upon by the Issuer in writing, setting out, amongst other things, the terms of the A Note Restructuring and/or the B Note Restructuring and the issue of the A1 Notes and/or the B1 Notes, as applicable.

“Note Sterling LIBOR” means, in relation to an Interest Period, the Rate of Interest applicable to the Notes as determined in accordance with Condition 4(c) (*Rate of Interest*), less the Relevant Margin.

“Noteholders” means (i) prior to the Note Restructuring Effective Date, the A Noteholders and the B Noteholders and (ii) on or after the Note Restructuring Effective Date:

- (a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Noteholders, the A2 Noteholders and the B Noteholders; or
- (b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Noteholders, the B1 Noteholders and the B2 Noteholders; or
- (c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Noteholders, the A2 Noteholders, the B1 Noteholders and the B2 Noteholders;

and, in each case, **“Noteholder”** means any of them, as the context requires.

“Notes” means (i) prior to the Note Restructuring Effective Date, the A Notes and the B Notes and (ii) on or after the Note Restructuring Effective Date:

- (a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Notes, the A2 Notes and the B Notes; or
- (b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Notes, the B1 Notes and the B2 Notes; or
- (c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Notes, the A2 Notes, the B1 Notes and the B2 Notes,

and, in each case, **“Note”** means any of them, as the context requires.

“Performance Conditions” shall be satisfied on any Interest Payment Date if:

- (a) the Trigger Condition is satisfied; and

- (b) (i) if the A Note Restructuring has not occurred, the Principal Amount Outstanding of the A Notes is equal to or less than £425,000,000 or (ii) if the A Note Restructuring has occurred, the aggregate Principal Amount Outstanding of the A1 Notes and the A2 Notes is equal to or less than £425,000,000.

“Permitted Activities” means the activities contemplated in the Transaction Documents as being undertaken by the Issuer, including (i) the acquisition of the Loans, the Collateral Security and their Related Rights; (ii) the appointment of entities to undertake the administration and servicing of the Loans, the Collateral Security and their Related Rights and the collection and administration of monies relating thereto in accordance with the terms of the Transaction Documents; (iii) the issue of the Instruments, the granting and maintaining of security therefor, the listing and rating thereof and the making of any Basic Terms Modifications thereto; (iv) the entering into of borrowings; (v) the investment of collections from the Loans together with any proceeds retained by the Issuer from the issue of the Instruments and any borrowings and (vi) the payment of liabilities, maintenance of hedging and administrative functions required to be undertaken in respect of the Instruments.

“Pre-Enforcement Priority of Payments” means the order of priority set out in Condition 2(g) (*Priority of Payments prior to enforcement*).

“Principal Amount Outstanding” means, in respect of (i) a Note on any date shall be the initial principal amount of such Note less (x) the aggregate amount of all Note Principal Payments in respect of such Note that have become due and payable since the Closing Date (or, in the case of the A1 Notes, the A2 Notes, the B1 Notes and/or the B2 Notes, since the Note Restructuring Effective Date) and on or prior to such date have been paid and (y) any other payments and/or reduction of the Pool Factor or cancellation of principal in respect of such Note and of (ii) a Class of Notes shall be the aggregate principal amount outstanding of the Notes of that Class as determined in accordance with (i) above.

“Principal Deficiency” means the amounts recorded as a debit on each principal deficiency ledger established by or on behalf of the Issuer pursuant to the Cash/Bond Administration Agreement.

“Relevant Margin” means, in respect of any class of Notes, the per cent. per annum set out in the following table:

A Notes	1.10 per cent. per annum
A1 Notes	1.10 per cent. per annum
A2 Notes	1.10 per cent. per annum
B Notes	3.20 per cent. per annum
B1 Notes	3.20 per cent. per annum
B2 Notes	3.20 per cent. per annum

“Residual Revenue” means, as of any Interest Payment Date, an amount calculated as being the aggregate of (a) the amount available at item (xiv) of the Pre-Enforcement Priority of Payments (or item (viii) of the Post-Enforcement Priority of Payments, as applicable) and (b) all amounts standing to the credit of the Prepayment Charges Ledger as at the close of business on the immediately preceding Business Day.

“Residual Revenue Deficiency” means on a Determination Date the amount, if any, by which the Available Revenue Fund on that Determination Date (after the transfers pursuant to Clause 8.4 (*Determination Date – Ledger transfers*) of the Cash/Bond Administration Agreement) together with the amounts, if any, expected to be credited to the Available Revenue Ledger on or before the immediately succeeding Interest Payment Date is insufficient to pay or provide for payment of the amounts referred to in items (i) to (v) (inclusive) of the Pre-Enforcement Priority of Payments.

“senior” means, with respect to any Class, the Class or Classes then outstanding having a higher priority than such Class in the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments.

“Total Number Outstanding” means 10,000.

“**Transaction Documents**” means the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Cash/Bond Administration Agreement, the Mortgage Sale Agreement, the Closing Arrangements Deed, the Collection Accounts Declarations of Trust, the GIC, the Master Securitisation Agreement, the Bank Agreement, the Corporate Services Agreement, the Master Definitions Schedule, the Master Restructuring Agreement, the Scottish Declarations of Trust, the Subscription Agreement and the Supplemental Deed, each as may be amended, restated and/or supplemented from time to time, and each a “**Transaction Document**”.

“**Trigger Condition**” shall be satisfied if:

- (a) the Available Revenue Fund (for the avoidance of doubt excluding any amount transferred from the Liquidity Reserve Ledger to the Available Revenue Ledger on that Interest Payment Date) is sufficient to satisfy items (i) to (xii) (both inclusive) in the Pre-Enforcement Priority of Payments;
- (b) on the immediately preceding Determination Date, either: (a) the aggregate Principal Balance of all Loans in the Mortgage Pool that are 90 days or more in arrears (including Repossession Loans and trigger modified loans, being those loans which have been modified and which the Cash/Bond Administrator will include in the trigger calculations, as further set out in the Cash/Bond Administration Agreement) as a percentage of the aggregate Principal Balance of all Loans in the Mortgage Pool does not exceed 35 per cent., or (b) the aggregate Principal Balance of all Loans in the Mortgage Pool that are 90 days or more in arrears (excluding Repossession Loans) as a percentage of the aggregate Principal Balance of all Loans in the Mortgage Pool does not exceed 35 per cent. and the aggregate Principal Balance of all Repossession Loans in the Mortgage Pool since the Closing Date (which include sold repossessions plus current repossessions) as a percentage of the aggregate Principal Balance of all Loans in the Mortgage Pool at the Closing Date does not exceed 25 per cent. (or, in each case, such greater percentage agreed between the Issuer and each Rating Agency from time to time upon the basis that such increase will not adversely affect the then current rating of each Class of Notes rated by such Rating Agency); and
- (c) the aggregate value of the principal losses in respect of the Mortgage Pool (whether or not such losses form part of the Principal Deficiency at such time) as at the immediately preceding Determination Date is not greater than 2.75 per cent. of the aggregate Principal Balance of all Loans in the Mortgage Pool at the Closing Date.

1. Form, Denomination and Title

- (a) The Notes are issued in fully registered form without principal receipts, interest coupons or talons attached, and may be held or traded in holdings in the minimum aggregate original principal amount of, in the case of the A1 Notes and the B1 Notes, £100,000 or, in the case of the A Notes, A2 Notes, B Notes and B2 Notes, £50,000 and, in each case, integral multiples of £1,000 in excess thereof; *provided* that any Note may fail to be in compliance with the foregoing requirements as a result of the repayment of principal thereof in accordance with the Priority of Payments or the cancellation of principal thereof in connection with any restructuring of the Notes.
- (b) The Principal Amount Outstanding (as defined in Condition 5(c) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*)) of the Notes of each Class, is represented initially by a global certificate in fully registered form (each a “**Global Note**” and together the “**Global Notes**”). References herein to the “**Notes**” shall include (i) in relation to any Notes represented by a Global Note, units in the applicable denomination and currency (which is £1,000), (ii) Definitive Notes issued in exchange for a Global Note and (iii) any Global Note.
- (c) If (i) the Notes become due and repayable pursuant to Condition 9(a) (*Events of Default*) or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or has in fact done so and no successor clearing system acceptable to the Trustee is available, or (iii) as a result of any amendment to, or change in, (a) the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or (b) the

interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer is or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will, within 30 days of the occurrence of the relevant event, issue serially numbered Notes, as applicable, in definitive form in exchange for the whole outstanding interest in the Global Notes; *provided* that in no event will the Notes be issued in definitive bearer form.

- (d) Title to the Notes will pass by transfer and registration as described below.
- (e) With respect to the Notes, subject as provided below, the person listed in the register (the “**Register**”) as the holder of any such Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, or of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such person will be treated as the absolute owner of such Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.
- (f) The Issuer will cause to be kept at the specified office of the Registrar the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of such Notes held by them and all transfers and redemptions of such Notes. No transfer of such Notes will be valid unless and until entered on the Register.
- (g) Transfers and exchanges of beneficial interests in the Global Notes and entries on the Register relating to the Notes will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Trust Deed and the legend appearing on the face of the Notes. In no event will a transfer of a beneficial interest in a Global Note or a Definitive Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Trustee and, if with respect to the Notes, the Registrar.

2. Status, Security and Administration

Status and relationship between Classes of Notes

- (a) The Notes of each Class constitute direct, secured (as more particularly described in the Deed of Charge), limited recourse obligations of the Issuer and rank *pari passu* without preference or priority amongst Notes of the same Class.
- (b) Prior to the enforcement of the security created by or pursuant to the Deed of Charge (the “**Security**”), payment of interest on the Notes will be made in accordance with the order of priority set out in Condition 2(g) (*Status, Security and Administration*) and mandatory payments of principal pursuant to Condition 5(b) (*Mandatory redemption in part of the Notes*) will be made in accordance with the order of priority set out in such Condition. In the event of the Security being enforced, payment of principal and interest on the Notes will be made in accordance with the order of priority set out in Condition 2(h) (*Status, Security and Administration*).
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of, as applicable, the holders of the A Notes (the “**A Noteholders**”), the holders of the A1 Notes (the “**A1 Noteholders**”), the holders of the A2 Notes (the “**A2 Noteholders**”), the holders of the B Notes (the “**B Noteholders**”), the holders of the B1 Notes (the “**B1 Noteholders**”) and the holders of the B2 Notes (the “**B2 Noteholders**”) equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to:

- (i) prior to the Note Restructuring Effective Date, the interests of the A Noteholders if, in the Trustee's sole opinion, there is a conflict between the interests of the A Noteholders and the interests of the B Noteholders; or
- (ii) on or after the Note Restructuring Effective Date,
 - (A) the interests of the A1 Noteholders (if any) if, in the Trustee's sole opinion, there is a conflict between the interests of the A1 Noteholders and the interests of the A2 Noteholders, the B1 Noteholders, the B Noteholders and/or the B2 Noteholders (as applicable);
 - (B) subject to (A) above or if there are no A1 Notes outstanding, the interests of the A Noteholders or the A2 Noteholders (as applicable) if, in the Trustee's sole opinion, there is a conflict between the interests of the A Noteholders or the A2 Noteholders and the interests of the B1 Noteholders, the B Noteholders and/or the B2 Noteholders (as applicable); and
 - (C) subject to (A) and (B) above or if there are no A1 Notes, A Notes or A2 Notes outstanding, the interests of the B1 Noteholders (if any) if, in the Trustee's sole opinion, there is a conflict between the interests of the B1 Noteholders and the interests of the B2 Noteholders.
- (d) The Trust Deed contains provisions limiting the powers of a Class of Noteholders, *inter alia*, to pass any Extraordinary Resolution according to the effect thereof on the interests of the holders of the Class or Classes ranking senior thereto. Except in certain circumstances, the Trust Deed imposes no such limitations on the power of a Class of Noteholders to bind any Class or Classes of Noteholders ranking junior thereto.
- (e) The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding and subject to Condition 2(c) the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of, or act at the direction of, any persons having the benefit of the Security, other than the Noteholders and the Residual Certificateholders in accordance with the Trust 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.

Security

- (f) As security for the payment of all monies payable in respect of the Notes, the Residual Certificates and otherwise under the Trust Deed (including but not limited to the remuneration, expenses, indemnities and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Mortgage Administrator under the Mortgage Administration Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Principal Paying Agent, any other Paying Agent, the Registrar, the Transfer Agents and the Agent Bank under the Paying Agency Agreement, the Account Bank and the Collection Account Bank under the Bank Agreement, the GIC Provider under the GIC, the Corporate Services Provider under the Corporate Services Agreement and each Seller in respect of its entitlement to unpaid consideration under the Mortgage Sale Agreement, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder (save that the Trustee shall hold the benefit of the security interest with respect to the Prepayment Charges Receipts solely for the benefit of the Residual Certificateholders) (such parties, the "**Secured Creditors**"):
 - (i) a first fixed charge in favour of the Trustee over the Issuer's interests in each Loan, each related Mortgage and all other collateral security given or obtained in connection with such Loan in the Mortgage Pool (such collateral security, together with the Mortgages, the "**Collateral Security**" and including, without limitation, (1) the benefit of all affidavits, declarations, consents, renunciations, waivers and deeds of postponement from occupiers and other persons having an

interest in or rights in connection with the relevant Property, (2) the benefit of (including notations of interest on) insurance and assurance policies (including, without limitation, all returns of premium and proceeds in respect of such policies) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property, and (3) (to the extent assignable without the consent of the relevant counterparty) all courses and rights of action (whether assigned to the Issuer or otherwise) against valuers, solicitors, the Land Registry of England and Wales, the Registers of Northern Ireland and the Registers of Scotland or any other person in connection with any report (including a report on title), valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with the relevant Loan, Mortgage, other collateral security or Property) and, in relation to Loans which are Scottish Loans, such fixed charge will take the form of an assignation in security, governed by Scots law, of the Issuer's interests in each such Scottish Loan, its related Scottish Mortgage and other Collateral Security as comprised in the relevant Scottish Trust;

- (ii) an assignment in favour of the Trustee of the Issuer's interests in the insurance contracts to the extent that they relate to the Loans and their related Collateral Security;
- (iii) an assignment in favour of the Trustee of the benefit of the Issuer in each of the Transaction Documents (other than the Trust Deed and the Deed of Charge);
- (iv) a first fixed charge in favour of the Trustee over the Issuer's interest in the Bank Accounts and any other bank accounts or Authorised Investments in which the Issuer has an interest; and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer,

(such property, assets, rights, accounts, undertaking, together, the "**Charged Property**").

Priority of Payments prior to enforcement

- (g) The "**Available Revenue Fund**" at any time comprises the credit balance of the Available Revenue Ledger at that time. Prior to enforcement of the Security, on each Determination Date the Issuer shall determine the Available Revenue Fund as at that Determination Date and (taking into account any payments to be made or received from that date up to and including the immediately following Interest Payment Date) shall on the succeeding Interest Payment Date apply this in or towards the satisfaction of the following amounts in the following order of priority (the "**Pre-Enforcement Priority of Payments**") in each case making an appropriate debit to the Available Revenue Ledger:
 - (i) first, when due, the remuneration payable to the Trustee or any Appointee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by the Trustee or any Appointee under the provisions of or in connection with the Trust Deed, the Deed of Charge or any other Transaction Document together with any applicable interest as provided in the Trust Deed or the Deed of Charge;
 - (ii) second, *pro rata*:
 - (A) amounts, when due, including audit fees, company secretarial expenses and costs and expenses incurred in connection with the appointment of any substitute administrator (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed, the Deed of Charge or the Cash/Bond Administration Agreement and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer during the Interest Period commencing on that Interest Payment Date and to provide for the Issuer's primary liability or possible primary liability for corporation tax;

- (B) an amount, when due, equal to any *premia* due in respect of insurance contracts held by the Issuer; and
 - (C) an amount equal to £890 by crediting the Profit Ledger;
- (iii) third, *pro rata*:
- (A) except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Closing Date (1) the mortgage administration fee due and payable under the Mortgage Administration Agreement, such fee being up to a maximum of the product of 0.25 per cent per annum and the aggregate Principal Balance of the Loans as at the Determination Date immediately preceding the immediately prior Interest Payment Date, multiplied by the Apportionment Factor and (2) any costs and expenses incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement;
 - (B) except to the extent already paid to the Cash/Bond Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Closing Date, (1) the cash/bond administration fee due and payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator and (2) any costs and expenses incurred by the Cash/Bond Administrator due and payable in accordance with the Cash/Bond Administration Agreement;
 - (C) (1) the corporate services fee (inclusive of value added tax if any) due and payable pursuant to the Corporate Services Agreement to the Corporate Services Provider divided by four and (2) costs and expenses incurred by the Corporate Services Provider in accordance with the Corporate Services Agreement;
 - (D) amounts due to the Paying Agents, the Registrar, the Transfer Agents and the Agent Bank under the Paying Agency Agreement;
 - (E) amounts due to the GIC Provider under the GIC; and
 - (F) amounts due to the Account Bank and the Collection Account Bank under the Bank Agreement;
- (iv) fourth, to the payment, *pro rata*, of any Approved Waterfall Effective Date Transaction Costs and any Approved Note Restructuring Transaction Costs, in each case, to the extent not paid from the Restructuring Costs Ledger in accordance with Clause 3.5 of the Master Restructuring Agreement or pursuant to Conditions 2(g)(i)–(iii) above;
- (v) fifth,
- (A) if the A Note Restructuring has not occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the A Notes; or
 - (B) if the A Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the A1 Notes;
- (vi) sixth, to the Liquidity Reserve Ledger, an amount (if any) necessary to replenish the Liquidity Reserve Ledger up to the Liquidity Reserve Amount;

- (vii) seventh,
 - (A) if the A Note Restructuring has not occurred, to apply amounts to reduce the A Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*); or
 - (B) if the A Note Restructuring has occurred, to apply amounts to reduce the A1 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A1 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*);
- (viii) eighth, if the A Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the A2 Notes;
- (ix) ninth, if the A Note Restructuring has occurred, to apply amounts to reduce the A2 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A2 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*);
- (x) tenth, if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B1 Notes;
- (xi) eleventh, if the B Note Restructuring has occurred, to apply amounts to reduce the B1 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B1 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*);
- (xii) twelfth,
 - (A) if the B Note Restructuring has not occurred, to apply amounts to reduce the B Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B Principal Deficiency Ledger), such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*); or
 - (B) if the B Note Restructuring has occurred, to apply amounts to reduce the B2 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B2 Principal Deficiency Ledger), such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (*Mandatory redemption in part of the Notes*);
- (xiii) thirteenth,
 - (A) if the B Note Restructuring has not occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B Notes; or
 - (B) if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B2 Notes; and
- (xiv) fourteenth, in or towards payment, *pari passu* and *pro rata*, of RC Distributions to the Residual Certificateholders.

If, as of any Determination Date, a Residual Revenue Deficiency exists, the Issuer (or the Cash/Bond Administrator on behalf of the Issuer) shall transfer funds on such Determination Date from the Liquidity Reserve Ledger (to the extent of funds in the Liquidity Reserve Ledger) to the Available Revenue Ledger sufficient to cover such Residual Revenue Deficiency. If, as of any Interest Payment Date, the amount of

the Liquidity Reserve Ledger exceeds the Liquidity Reserve Amount (calculated after making all payments in respect of the A Notes or the A1 Notes (as applicable) on such Interest Payment Date), such excess shall be transferred to the Available Revenue Ledger and distributed in accordance with the remainder of the Priority of Payments.

In the event that any payment to be made from the Available Revenue Fund by the Issuer does not result in the relevant amount of the Available Revenue Fund being denominated in the relevant currency in which such payment is to be made, the Issuer (or the Cash/Bond Administrator on the Issuer's behalf) shall convert the relevant amounts comprised in the Available Revenue Fund to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

In addition to payments pursuant to item (xiv) of the Pre-Enforcement Priority of Payments above, the Residual Certificateholders will, on each Interest Payment Date, be entitled to distributions of all amounts standing to the credit of the Prepayment Charges Ledger as at the close of business on the immediately preceding Business Day.

Priority of Payments Post-Enforcement

- (h) After the Trustee has given notice to the Issuer pursuant to Condition 9(a) (*Events of Default*) declaring the Notes to be due and repayable, the Trustee shall, to the extent of the funds available to the Issuer and from the proceeds of enforcement of the Security, make payments in the following order of priority (the “**Post-Enforcement Priority of Payments**” and, together with the Pre-Enforcement Priority of Payments, the “**Priority of Payments**”) pursuant to, in accordance with and as set out more fully in the Deed of Charge:
- (i) first, to pay, *pro rata*, any remuneration then due to the Trustee, any receiver or administrator appointed by the Trustee or any other Appointee of the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by the Trustee, such receiver or administrator or such Appointee together with interest thereon (plus value added tax, if any);
 - (ii) second, to pay, *pro rata*, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Cash/Bond Administrator, the Corporate Services Provider, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Account Bank, the Collection Account Bank and the GIC Provider, together with value added tax (if any) chargeable thereon;
 - (iii) third,
 - (A) if the A Note Restructuring has not occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the A Notes; or
 - (B) if the A Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the A1 Notes;
 - (iv) fourth, if the A Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the A2 Notes;
 - (v) fifth,
 - (A) if the B Note Restructuring has not occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the B Notes; or
 - (B) if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the B1 Notes;

- (vi) sixth, if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, any interest and principal then due and payable on the B2 Notes;
- (vii) seventh, to pay an amount equal to £890 to the Profit Ledger; and
- (viii) eighth, in or towards payment, *pari passu* and *pro rata*, of RC Distributions to the Residual Certificateholders.

In addition to payments pursuant to item (viii) of the Post Enforcement Priority of Payments above, the Residual Certificateholders will be entitled to distributions of all amounts standing to the credit of the Prepayment Charges Ledger.

In such distribution, the manner of making payments to the Noteholders shall remain as specified prior to the Notes being declared due and payable. The Noteholders have limited recourse to the Issuer in respect of the payments prescribed above and accordingly are entitled to bring a claim under English law, subject to the Trust Deed, the Deed of Charge, the Supplemental Deed and Condition 17 (*Non Petition and Limited Recourse*), for the full amount of such payments in accordance with Condition 10 (*Enforcement of Notes*).

The Security will become enforceable upon the giving of an Enforcement Notice pursuant to Condition 9(a) (*Events of Default*) or upon any failure by the Issuer to pay the full amount when due on the Notes pursuant to Condition 5(a) (*Final redemption*) or following the giving of notice of redemption of the Notes pursuant to Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*) 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 comprised in the Security or any part thereof unless either (A) the Trustee is satisfied that sufficient amounts would be realised to allow discharge in full of all amounts owing to the Noteholders and any other Secured Creditors ranking *pari passu* with or in priority thereto; or (B) the Trustee is of the sole opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, acting in its absolute discretion, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any other Secured Creditors ranking *pari passu* with or in priority thereto.

Control of Trustee

- (i) The Notes are subject to the Deed of Charge pursuant to which the claims and exercise of rights by the beneficiaries of the Security against the Issuer are regulated.

3. Covenants

Save with the prior written consent of the Trustee (but subject as provided in Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*)) or as provided in or envisaged by any of the Transaction Documents, the Issuer shall not for so long as any Note remains outstanding (as defined in the Master Definitions Schedule):

- (a) *Negative pledge*

create or permit to subsist any mortgage, sub-mortgage, assignment, assignation, standard security, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation, assignation or other security interest whatsoever 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 nor have any interest in any account whatsoever with any bank or other financial institution other than the Bank Accounts and the Collection Accounts, save where such account is immediately charged in favour of the Trustee so as to form part of the assets subject to the Security described in Condition 2 (*Status, Security and Administration*) and the Trustee receives from such other bank or financial institution an acknowledgement of the security rights and interests of the Trustee and an agreement that it will not exercise any right of set off it might otherwise have against the account in question;
 - (iii) have any subsidiaries or employees or own, rent, lease or be in possession of any assets (including, without limitation, buildings, premises or equipment);
 - (iv) act as a director of or hold any office in any company or other organisation;
 - (v) amend, supplement or otherwise modify its Memorandum or Articles of Association or other constitutive documents; or
 - (vi) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under U.S. federal income tax principles;
- (c) *Dividends or distributions*
- pay any dividend or make any other distribution to its shareholders (other than amounts paid from the Profit Ledger) or issue any further shares;
- (d) *Borrowings*
- incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or any obligation of any person;
- (e) *Merger*
- consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;
- (f) *Disposal of assets*
- transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over 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) apply to become part of any group for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or
 - (ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;

(h) *Other*

permit any of the Transaction Documents, the insurance contracts relating to the Mortgages from time to time owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated, postponed or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed, these Conditions and the Residual 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 part of the Security save as envisaged in the Transaction Documents; and

(i) *Independent Director*

at any time have fewer than one Independent Director.

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, acting in its absolute discretion, may deem expedient in the interests of the Noteholders, provided that Rating Agency Confirmation is given to the Trustee in respect of such modifications or additions.

4. **Interest**

(a) *Period of Accrual*

Each Note of each Class bears interest from (and including), (i) in the case of the A Notes and the B Notes, the Closing Date or (ii) in the case of any A1 Notes, A2 Notes, B1 Notes and/or B2 Notes, the Interest Payment Date in September 2013 (notwithstanding that such Notes were not issued or amended as such, as applicable, until after such date, and calculated as if each such Note had, as of such Interest Payment Date, the Principal Outstanding Amount of such Note as of the Note Restructuring Effective Date). The A Notes shall cease to bear interest from (i) if the A Note Restructuring occurs, the Note Restructuring Effective Date (in which case any accrued interest on the A Notes as of the Note Restructuring Effective Date shall be disregarded) or (ii) if the A Note Restructuring does not occur, their due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event, interest will continue to accrue as provided in the Trust Deed. The B Notes shall cease to bear interest from (i) if the B Note Restructuring occurs, the Note Restructuring Effective Date (in which case any accrued interest on the B Notes as of the Note Restructuring Effective Date shall be disregarded) or (ii) if the B Note Restructuring does not occur, their due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event, interest will continue to accrue as provided in the Trust Deed. Any A1 Notes, A2 Notes, B1 Notes and/or B2 Notes shall cease to bear interest from their due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused or unless default is otherwise made in respect of the payment, in which event, interest will continue to accrue as provided in the Trust Deed.

(b) *Interest Payment Dates and Interest Periods*

Subject to Condition 6 (*Payments*) interest on the Notes is payable in sterling (as defined in the Master Definitions Schedule) in arrear on the 13th day of June, September, December and March in each year (or if such day is not a Business Day, the next succeeding Business Day) (each such date an “**Interest Payment Date**”), the first such payment, in the case of the A Notes and the B Notes, made on 13 June 2008 or, in the case of the A1 Notes, the A2 Notes, the B1 Notes and the B2 Notes, to be made on the first Interest Payment Date coinciding with or following the Note Restructuring Effective Date.

(c) *Rate of Interest*

Subject to Condition 7 (*Prescription*), the rate of interest payable from time to time (the “**Rate of Interest**”) and the Interest Amount (as defined below) in respect of each Class of the Notes will be determined on the basis of the provisions set out below:

- (i) on each 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 the case of the first Interest Period, such rate shall be obtained by linear interpolation (as defined in the 2006 ISDA Definitions published by ISDA) of the rate for two month and three month sterling deposits in the London interbank market) by reference to the page display designated as the British Bankers Association’s Interest Settlement Rate as quoted on the Reuters Screen LIBOR01 Page:
 - (A) such other page as may replace Reuters Screen LIBOR01 Page 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 such service as at or about 11.00 a.m. (London time) on that date,(the “**Screen Rate**”). If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the relevant Reference Banks (as defined in Condition 4(h) (*Reference Banks and Agent Bank*) below) to provide the Agent Bank with its offered quotation as at or about 11.00 a.m. (London time) on that date to leading banks in the London interbank market for three month sterling deposits (and 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 sterling deposits). The Rate of Interest for each Class of Notes for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the relevant Screen Rate or, as the case may be, above the relevant arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;
- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the quotations of the relevant two quoting Reference Banks;
- (iii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the relevant Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The “**Reserve Interest Rate**” shall be the rate per annum which the Agent Bank determines to be either:
 - (A) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date, for the relevant Interest Period to those of the Reference Banks which are leading banks in London or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made; or
 - (B) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the average of the sterling 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 Rate of Interest in effect for the Interest Period ending on the next Interest Payment Date after the relevant Interest Determination Date.

(d) *Determination of Rates of Interest and Calculation of Interest Amounts*

The Agent Bank shall, on each Interest Determination Date, determine and notify in writing the Issuer, the Mortgage Administrator, the Cash/Bond Administrator, the Trustee, the Irish Stock Exchange and the Paying Agents:

- (i) the Rate of Interest applicable to the relevant Interest Period, and
- (ii) the sterling amount, equal to the product of (1) the Rate of Interest in respect of each Note, (2) the Principal Amount Outstanding thereof, and (3) the amount equal to (x) the actual number of days elapsed in the Interest Period, divided by (y) 365 (each such product, an “**Interest Amount**”), payable in respect of such Interest Period in respect of each Note.

(e) *Publication of Rate of Interest, Interest Amount and other Notices*

As soon as practicable after providing notification thereof, the Agent Bank (on behalf of the Issuer) will cause the Rate of Interest and the Interest Amounts for each Interest Period and the immediately succeeding Interest Payment Date to be notified to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given in accordance with Condition 14 (*Notice to Noteholders*). The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) *Determination or calculation by Trustee*

If the Agent Bank does not at any time for any reason determine any Rate of Interest and/or calculate any Interest Amount in accordance with the foregoing paragraphs, the Trustee shall (at the cost of the Issuer):

- (i) determine or procure the determination of the Rate of Interest not so determined 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
- (ii) calculate or procure the calculation of the Interest Amount not so calculated in the manner specified in paragraph (i) above,

and any such determination and/or calculation by, or procured by, the Trustee shall be notified (at the cost of the Issuer) in accordance with Condition 4(d) (*Determination of Rates of Interest and Calculation of Interest Amounts*) and Condition 4(e) (*Publication of Rate of Interest, Interest Amount and other Notices*) above and shall be deemed to have been made by the Agent Bank.

(g) *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 Cash/Bond Administrator, the Reference Banks, the Agent Bank, the Trustee and all Instrumentholders and (in the absence of wilful default or bad faith) no liability to the Trustee, the Instrumentholders shall attach to the Issuer, to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) *Reference Banks and Agent Bank*

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of four major banks in the London interbank market (the “**Reference Banks**”). In the event of the relevant office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of the Agent Bank 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.

5. Redemption

(a) Final redemption

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes then Outstanding at their Principal Amount Outstanding (as defined in Condition 5(c) (*Note Principal Payments, Principal Amount Outstanding and Pool Factor*) below) on the Interest Payment Date falling in March 2046.

The Issuer may not redeem Notes in whole or in part prior to the relevant Interest Payment Date indicated in this Condition 5(a) (*Final redemption*) except as provided in Condition 5(b) (*Mandatory redemption in part of the Notes*), Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*) of this Condition 5 (*Redemption*), but without prejudice to Condition 9 (*Events of Default*).

(b) Mandatory redemption in part of the Notes

(i) On each Interest Payment Date, other than the Interest Payment Date on which the Notes are to be redeemed under Condition 5(a) (*Final redemption*) above or Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*), below, the Issuer shall apply an amount equal to the Actual Redemption Funds as at the Determination Date prior to such Interest Payment Date in making payment in the following priority (the “**Redemption Priority**”) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) and in each case making a debit to the Principal Ledger:

(1) (A) if the A Note Restructuring has not occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), the A Notes until the Interest Payment Date on which the A Notes have been redeemed in full; or

(B) if the A Note Restructuring has occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), *first*, the A1 Notes until the Interest Payment Date on which the A1 Notes have been redeemed in full and, *second*, the A2 Notes until the Interest Payment Date on which the A2 Notes have been redeemed in full;

(2) after the A Notes or, if applicable, the A1 Notes and the A2 Notes, have been redeemed in full,

(A) if the B Note Restructuring has not occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), the B Notes until the Interest Payment Date on which the B Notes have been redeemed in full; or

(B) if the B Note Restructuring has occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), *first*, the B1 Notes until the Interest Payment Date on which the B1 Notes have been redeemed in full and, *second*, the B2 Notes until the Interest Payment Date on which the B2 Notes have been redeemed in full; and

- (3) after the B Notes or, if applicable, the B1 Notes and the B2 Notes, have been redeemed in full, all Actual Redemption Funds shall be distributed, *pari passu* and *pro rata*, to the Residual Certificates;

provided that the Actual Redemption Funds shall not be applied in accordance with the Redemption Priority but shall instead be applied:

- (A) on any such Interest Payment Date immediately succeeding a Determination Date (i) on which the Performance Conditions are satisfied and (ii) the aggregate Principal Amount Outstanding of the Notes on such date is greater than or equal to £100,000,000, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), between all Classes of Notes then outstanding; and

- (B) on any Interest Payment Date on which after application of the Available Revenue Fund on that Interest Payment Date there is, if the A Note Restructuring has not occurred, an A Principal Deficiency or, if the A Note Restructuring has occurred, an A1 Principal Deficiency in the following order of priority:

- (1) (A) if the A Note Restructuring has not occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), the A Notes until the Interest Payment Date on which the A Notes have been redeemed in full; or

(B) if the A Note Restructuring has occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), *first*, the A1 Notes until the Interest Payment Date on which the A1 Notes have been redeemed in full and, *second*, the A2 Notes until the Interest Payment Date on which the A2 Notes have been redeemed in full;

- (2) after the A Notes or, if applicable, the A1 Notes and the A2 Notes, have been redeemed in full,

(A) if the B Note Restructuring has not occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), the B Notes until the Interest Payment Date on which the B Notes have been redeemed in full; or

(B) if the B Note Restructuring has occurred, in redeeming, *pari passu* and *pro rata* (in accordance with the Principal Amount Outstanding of each), *first*, the B1 Notes until the Interest Payment Date on which the B1 Notes have been redeemed in full and, *second*, the B2 Notes until the Interest Payment Date on which the B2 Notes have been redeemed in full; and

- (3) after the B Notes or, if applicable, the B1 Notes and the B2 Notes, have been redeemed in full, all Actual Redemption Funds shall be distributed, *pari passu* and *pro rata*, to the Residual Certificates.

Except as indicated otherwise, redemptions in relation to any Class of Notes will be made by *pro rata* and *pari passu* redemption of Notes of such Class.

- (ii) The Cash/Bond Administrator is responsible, pursuant to the Cash/Bond Administration Agreement, for determining the amount of the Actual Redemption Funds and the amounts required to reduce the balance of each Principal Deficiency Ledger in each case to zero as at any Determination 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 Mortgage

Administrator, the Trustee and all Instrumentholders and no liability to the Instrumentholders shall attach to the Issuer, the Trustee or (in such absence as aforesaid) to the Cash/Bond Administrator in connection therewith.

(c) *Note Principal Payments, Principal Amount Outstanding and Pool Factor*

The principal amount so payable in respect of each Note of each Class (the “**Note Principal Payment**”) on any Interest Payment Date under Condition 5(b) (*Mandatory redemption in part of the Notes*) above shall be the amount calculated on the Determination Date immediately preceding that Interest Payment Date to be applied in redemption of Notes of that Class divided by the number of Notes of that Class outstanding on the relevant Interest Payment Date (rounded down to the nearest penny); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

With respect to each Note of each Class on (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Cash/Bond Administrator to determine):

- (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Determination Date;
- (ii) the Principal Amount Outstanding of such Note on the Interest Payment Date next following such Determination Date (after deducting any Note Principal Payment due to be made in respect of that Note on that Interest Payment Date); and
- (iii) the fraction expressed as a decimal to the sixth point (the “**Pool Factor**”), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in paragraph (ii) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer.

Each determination by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

With respect to each Class 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 Paying Agents, the Registrar, the Agent Bank and (for so long as the Notes are listed on or by one or more stock exchanges and/or competent listing authorities) the relevant stock exchanges and/or competent listing authorities, and will immediately cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given in accordance with Condition 14 (*Notice to Noteholders*) by not later than one Business Day prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes of any Class on any Interest Payment Date a notice to this effect will be given to the Noteholders.

If the Issuer does not at any time for any reason determine (or cause the Cash/Bond Administrator to determine) with respect to each Class of Notes, a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Trustee, acting in its absolute discretion, in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer or the Cash/Bond Administrator (as applicable).

(d) *Early Redemption*

On any Interest Payment Date, the Issuer shall be entitled, at its sole discretion, and upon giving no more than 60 nor less than 30 days’ written notice to the Trustee, the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), redeem all (but not some only) of the Notes at their Principal Amount Outstanding plus any accrued but 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 (other than any security interest held by the Trustee in such funds for the benefit of the Secured Creditors), required to redeem the Notes as aforesaid and any amounts payable in priority thereto under the applicable Priority of Payments.

(e) *Redemption for tax reasons*

If:

- (i) the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either:
 - (A) on the next Interest Payment Date the Issuer would be required by reason of a change in law, or the interpretation or administration thereof to deduct or withhold from any payment of principal or interest on the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein, or
 - (B) intentionally omitted,
 - (C) the total amount payable in respect of interest in relation to any of the Loans during an Interest Period ceases to be receivable (whether by reason of any Borrower being obliged to deduct or withhold any amount in respect of tax therefrom or otherwise, and whether or not actually received) by the Issuer during such Interest Period, and
- (ii) (A) the Trustee is of the opinion that such changes would be materially prejudicial to the interests of the Noteholders, or (B) the Trustee seeks and obtains the approval of the holders of the Most Senior Class of Notes to redeem the Notes, such approval to be given by way of an Extraordinary Resolution of the holders of the Most Senior Class of Notes passed in accordance with the provisions of the Trust Deed (for the avoidance of doubt, if the Trustee chooses to seek the approval of the holders of the Most Senior Class of Notes, the decision of the holders of the Most Senior Class of Notes shall prevail irrespective of whether the Trustee is nevertheless of the opinion that such changes would be or would not be materially prejudicial to the interests of the Noteholders and in no event should the Trustee be liable for any loss incurred by any person by reason of any delay in seeking, or failure to obtain, such approval),

then, provided that it has sufficient funds, the Issuer shall, having given not more than 60 nor less than 30 days' written notice to the Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), redeem all (but not some only) of the Notes on any Interest Payment Date at their Principal Amount Outstanding plus any accrued but unpaid interest provided that, prior to giving any such notice, the Issuer shall have provided (at the Issuer's cost) 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 (other than any security interest held by the Trustee in such funds for the benefit of the Secured Creditors), required to redeem the Notes as aforesaid and any amounts payable in priority thereto under the applicable Priority of Payments, 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 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 and the Trustee shall have no liability for acting on such reliance.

(f) *Notice of Redemption*

Any such notice as is referred to in Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their Principal Amount Outstanding.

(g) *Purchase*

The Issuer shall not purchase any Notes (it being understood that neither the A Note Restructuring nor the B Note Restructuring (as applicable) shall constitute a purchase of Notes for the purposes hereof and under the Transaction Documents).

(h) *Cancellation*

All Notes redeemed pursuant to Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*) will be cancelled upon redemption and may not be resold or re-issued.

(i) *Allocation of Principal Deficiency on the Note Restructuring Effective Date*

On the Note Restructuring Effective Date, the Cash/Bond Administrator:

- (i) shall aggregate the amounts of the existing A Principal Deficiency Ledger and the existing B Principal Deficiency Ledger (such aggregate sum, the “**Aggregate Principal Deficiency**”) and shall reduce the A Principal Deficiency Ledger and the B Principal Deficiency Ledger to zero, and
- (ii) thereafter shall allocate the Aggregate Principal Deficiency:
 - (A) if the A Note Restructuring occurs but the B Note Restructuring does not occur, *first*, to the B Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the B Notes), *second*, to the A2 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the A2 Notes) and, *third*, to the A1 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the A1 Notes);
 - (B) if the B Note Restructuring occurs but the A Note Restructuring does not occur, *first*, to the B2 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the B2 Notes), *second*, to the B1 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the B1 Notes) and, *third*, to the A Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the A Notes); or
 - (C) if the A Note Restructuring occurs and the B Note Restructuring occurs, *first*, to the B2 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the B2 Notes), *second*, to the B1 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the B1 Notes), *third*, to the A2 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the A2 Notes) and, *fourth*, to the A1 Principal Deficiency Ledger (up to a maximum amount equal to the Principal Amount Outstanding of the A1 Notes).

(j) *Currencies*

In the event that any payment is to be made from Actual Redemption Funds by the Issuer under this Condition and the Actual Redemption Funds do not comprise a sufficient amount in the relevant currency in which such payment is to be made, the Issuer shall convert any remaining amounts comprised in the Actual Redemption Funds into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

6. Payments

- (a) Intentionally omitted.
- (b) Payments in respect of the Notes represented by a Global Note will be made by sterling cheque drawn on or, at the option of the holder, by a transfer to a sterling account maintained by the payee with a sterling clearing bank as specified by the payee.
- (c) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (d) If payment of principal is improperly withheld or refused or default is otherwise made in respect of such payment, the interest which continues to accrue in respect of the relevant Note in accordance with the Trust Deed will be paid, to the persons shown in the Register at the close of business on the Record Date and, in the case of final redemption of the Notes, against surrender of the relevant Note.
- (e) The initial Principal Paying Agent, the initial Registrar and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Registrar or of any Paying Agent and appoint an additional or other Registrar or Paying Agent. The Issuer will at all times maintain a Principal Paying Agent and a Registrar. The Issuer will cause at least 14 days' notice of any change in or addition to the Registrar or any Paying Agent or their specified offices to be given in accordance with Condition 14 (*Notice to Noteholders*).
- (f) If any Note is presented for payment or if the due date for any payment of principal and/or interest in respect of any Note is on a Saturday, a Sunday or a day on which banks are not generally open for business in the location of the Paying Agent to whom such presentation is made or a day on which commercial banks and foreign exchange markets do not settle payments and are not open for general business in a principal financial centre of the country or region of the currency of the relevant Note, payment will not be made until the next succeeding Business Day in that location and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.
- (g) For the purposes of this Condition 6 (*Payments*), "**Record Date**" means 15 calendar days before the due date for the relevant payment.
- (h) In the event that the aggregate funds, if any (computed in accordance with the provisions of the Cash/Bond Administration Agreement), available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, but for this Condition, due on any Class of Deferrable Notes on such Interest Payment Date, are not sufficient to satisfy in full the aggregate amount of interest which is, but for this Condition, otherwise due on such Class on such Interest Payment Date, then notwithstanding any other provision of these Conditions, there shall be payable on such Interest Payment Date by way of interest on each Note of such Class a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the Principal Amount Outstanding of such Note (as the case may be) to the then Principal Amount Outstanding of such Class (as the case may be). For the purposes of this Condition 6 (*Payments*), "**Deferrable Notes**" means, as of any Interest Payment Date, each Class of Notes other than the Most Senior Class of Notes.

- (i) The amount by which the aggregate amount of interest paid on the relevant Class of Deferrable Notes on any Interest Payment Date in accordance with this Condition 6 (*Payments*) falls short of the aggregate amount of interest which would otherwise be payable on such Class on that date (the “**Interest Shortfall**”) shall accrue interest during each Interest Period during which it remains outstanding at the Rate of Interest for such Interest Period. A *pro rata* share of the Interest Shortfall (together with interest thereon) calculated by reference to the ratio borne by the then Principal Amount Outstanding of any Note to the Principal Amount Outstanding of all Notes of such Class shall be aggregated within the amount of, and treated for the purpose of this Condition as if it were, interest due on such Note on the next succeeding Interest Payment Date. This provision and the paragraph above shall cease to apply on the Interest Payment Date referred to in Condition 5(a) (*Final redemption*) at which time all accrued interest shall become due and payable.

7. Prescription

Claims against the Issuer in respect of the Notes shall become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the relevant date in respect thereof. In this Condition the relevant date 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 14 (*Notice to Noteholders*).

8. Taxation

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the relevant Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or any 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. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

9. Events of Default

- (a) The Trustee may, at the Trustee’s discretion, or shall, if so requested in writing by the holders of not less than 25 per cent in aggregate Principal Amount Outstanding of the then outstanding Notes of the Most Senior Class of Notes, or if so directed by or pursuant to an Extraordinary Resolution of the holders of the then outstanding Notes of the Most Senior Class of Notes (subject in each case to the Trustee being indemnified and/or secured to its satisfaction), serve a notice (an “**Enforcement Notice**”) on the Issuer declaring, in writing, the Notes to be due and repayable (whereupon the Security shall become enforceable) at any time after the happening of any of the following events (each, an “**Event of Default**”):
 - (i) subject to Condition 6(h) (*Payments*) and Condition 6(i) (*Payments*), default being made for a period of three Business Days in the payment of the principal of or any interest on any Note when and as the same ought to be paid in accordance with these Conditions; or
 - (ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or any Transaction Document and, in any such case such failure is continuing for a period of 14 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied (except that no such notice will be required where the Trustee certifies that, in its sole opinion, such failure is incapable of remedy); or
 - (iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through or consequent upon an official action of the board

of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or being unable to pay its debts as and when they fall due or, within the meaning of Section 123(1) or (2) (as if the words “it is proved to the satisfaction of the court” did not appear in Section 123(2)) of the Insolvency Act 1986 (as that Section may be amended from time to time), being deemed unable to pay its debts; 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, application or pending application for an administration order or appointment of a liquidator or administrator) and such proceedings not, in the sole opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted, or an administrative receiver or other receiver, liquidator, administrator or other similar official being appointed in relation to the Issuer or in relation to all or any part of the undertaking, property or assets of the Issuer, or an encumbrancer taking possession of all or any part of the undertaking, property or assets of the Issuer, or a distress or diligence or execution or other process being levied or enforced upon or sued out against all or any part of the undertaking, property 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 15 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) and (iii) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its sole opinion, materially prejudicial to the interests of the Noteholders.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and the Security shall become enforceable as provided in the Trust Deed and Deed of Charge.

10. Enforcement of Notes

Subject to the provisions of Condition 17 (*Non-petition and Limited Recourse*), the Trustee may, at any time, at its discretion and without further notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as the Trustee may think fit to enforce the provisions of the Notes or the Trust Deed or any other Transaction Document and, at any time after the Security has become enforceable, may, at its discretion and without further notice, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings or steps unless:

- (a) it shall have been requested by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the then outstanding Notes of the Most Senior Class of Notes or so directed by an Extraordinary Resolution of the holders of the outstanding Notes of the Most Senior Class of Notes; and
- (b) it shall have been indemnified and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Noteholder shall be entitled to take any steps or proceedings to procure the winding up, dissolution, assignment, reorganisation, bankruptcy, insolvency, examinership or liquidation of the Issuer.

11. Meetings of Noteholders; Modifications; Consents; Waiver

- (a) The Trust Deed contains provisions for convening meetings of any Class of Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of the Noteholders of any Class of any modification of the Notes of such Class (including these Conditions as they relate to the Notes of such Class) or the provisions of any of the Transaction Documents. Any resolution to alter the definition of Permitted Activities or to request that the Issuer undertake any action that is not Permitted Activities shall be by Extraordinary Resolution.
- (b) The quorum at any meeting of the Noteholders of any Class of Notes for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding, or, at any adjourned meeting, one or more persons holding or representing Notes of such Class whatever the aggregate Principal Amount Outstanding of the Notes of such Class held or represented by him or them except that, at any meeting the business of which includes the sanctioning of a Basic Term Modification, the necessary quorum for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding. 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 one or more persons holding or representing in the aggregate not less than 5 per cent of the aggregate Principal Amount Outstanding of the Notes of such Class or, at any adjourned meeting, one or more persons being or representing the Noteholders of such Class, whatever the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding so held.
- (c) Except in certain circumstances described in the Trust Deed:
 - (i) prior to the Note Restructuring Effective Date, an Extraordinary Resolution of the B Noteholders shall be effective (and will bind the holders of each Class of Notes) when, in the Trustee's sole opinion, it will not be materially prejudicial to the interests of the holders of the A Noteholders, or it is sanctioned by an Extraordinary Resolution of the A Noteholders, and, except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the A Noteholders, the exercise of which will be binding on the B Noteholders, irrespective of the effect on their interests; and
 - (ii) on or after the Note Restructuring Effective Date,
 - (A) an Extraordinary Resolution of the A2 Noteholders (if any) shall be effective (and will bind the A1 Noteholders, the B1 Noteholders, the B Noteholders and the B2 Noteholders (as applicable)) when, in the Trustee's sole opinion, it will not be materially prejudicial to the interests of the A1 Noteholders, or it is sanctioned by an Extraordinary Resolution of the A1 Noteholders;
 - (B) an Extraordinary Resolution of the B1 Noteholders (if any) shall be effective (and will bind the A1 Noteholders, the A Noteholders, the A2 Noteholders and the B2 Noteholders (as applicable)) when, in the Trustee's sole opinion, it will not be materially prejudicial to the respective interests of the A1 Noteholders, the A Noteholders or the A2 Noteholders (as applicable) or it is sanctioned by an Extraordinary Resolution of the A Noteholders or the A1 Noteholders and the A2 Noteholders (as applicable); and
 - (C) an Extraordinary Resolution of the B Noteholders or the B2 Noteholders (as applicable) shall be effective (and will bind the A1 Noteholders, the A Noteholders, the A2 Noteholders and the B1 Noteholders (as applicable)) when, in the Trustee's sole opinion, it will not be materially prejudicial to the respective interests of the A1 Noteholders, the A Noteholders, the A2 Noteholders or the B1 Noteholders (as applicable), or it is sanctioned by an Extraordinary Resolution of the A Noteholders or the A1 Noteholders and the A2 Noteholders (as applicable) and the B1 Noteholders (if any),

and, except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes other than the most junior Class of Notes, the exercise of which will be binding on the holders of each Class of Notes ranking junior to such Class, irrespective of the effect on their interests.

- (d) An Extraordinary Resolution passed at any meeting of the Noteholders of any Class of Notes shall be binding on all Noteholders of such Class, whether or not they are present at the meeting.
- (e) The Trustee may agree without the consent of the Noteholders of any Class or any other Secured Creditor:
 - (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Notes of any Class (including these Conditions) or any of the Transaction Documents provided that the Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the Noteholders of any Class and would not constitute a change in any Permitted Activities that the Issuer may undertake, or
 - (ii) to any modification of the Notes of any Class (including these Conditions) or any of the Transaction Documents, which in the Trustee's sole opinion is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the sole opinion of the Trustee, proven.

The Trustee may also without the consent of the Noteholders of any Class or any other Secured Creditor determine, acting in its absolute discretion, but only if and in so far in its sole opinion the interests of the Noteholders of each Class shall not be materially prejudiced thereby, that any Event of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such (but the Trustee may not make any such determination of any Event of Default or 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 (*Events of Default*)). Any such modification, waiver, authorisation or determination shall be binding on the Noteholders of each Class and any other Secured Creditor and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

12. Indemnification and Exoneration of the Trustee

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction and, for the avoidance of doubt, whenever the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, among others, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, the Mortgage Administrator or the Cash/Bond Administrator with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the Properties secured by the Mortgages.

The Trustee will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties, or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. The Trustee will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trustee shall have no obligation to enquire if the Security has validly been granted to it.

Notwithstanding that none of the Trustee or the Noteholders may have any right of recourse against the Rating Agencies in respect of any confirmation given by them and relied upon by the Trustee pursuant to this Condition, 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 the Noteholders if the Issuer certifies to the Trustee that each specified Rating Agency has confirmed that the then current ratings of each Class of Notes rated by such Rating Agency will not be downgraded as a consequence of such exercise. By purchasing the relevant Notes, each Noteholder agrees and acknowledges that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to such Noteholder. In being entitled to rely on the fact that each Rating Agency has confirmed that the then current rating of each Class of Notes rated by such Rating Agency would not be adversely affected, the Trustee and each Noteholder expressly agrees and acknowledges that this reliance does not impose or extend any actual or contingent liability for the Rating Agencies to the Trustee or the Noteholders or any other person to or create any legal relations between the Rating Agencies and the Trustee or the Noteholders or any other person whether by way of contract or otherwise.

13. Replacement of Definitive Notes

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent (located outside the United States and its possessions). Replacement of any mutilated, defaced, lost, stolen or destroyed 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 Notes must be surrendered before new ones will be issued.

14. Notice to Noteholders

Any notice to the Noteholders shall be validly given by any of:

- (a) the information contained in such notice appearing 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**”);
- (b) by publication in a leading newspaper published in Ireland (which is expected to be 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;
- (c) whilst the Notes are in global form, if delivered to Euroclear and/or Clearstream, Luxembourg (as applicable) for communicating them to the Noteholders; or
- (d) whilst the Notes are in definitive form, if mailed to the Noteholders at their respective addresses in the Register.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed or any other relevant authority.

Any notice under paragraph (a) or (b) shall be deemed to have been given to the Noteholders 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 in all newspapers in which (or on the Relevant Screen on which) publication is required. Any notice under paragraph (c) shall be deemed to have been given to the Noteholders on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg. Any notice under paragraph (d) shall be deemed to have been given on the third day after being mailed to the address of the relevant Noteholders at its address stated in the Register.

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any category of them if, in its sole 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.

15. Third Party Rights

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes.

16. Governing Law and Jurisdiction

- (a) The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer has agreed in the Trust Deed that the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, the “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) In the Trust Deed, the Issuer has waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum.

17. Non Petition and Limited Recourse

- (a) Each of the Noteholders, by purchasing or subscribing for the Notes, agrees with the Issuer that notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Noteholders, including, without limitation, its obligations under the Notes and the Transaction Documents, are limited in recourse as set out below:
 - (i) each Noteholder agrees that it will have a claim only in respect of, and will be limited to, the property, assets and rights of the Issuer which are subject to the Security and the amounts received, realised or otherwise recovered therefrom and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer’s other assets or its contributed capital;
 - (ii) sums payable to each Noteholder in respect of the Issuer’s obligations to such Noteholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Noteholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Trustee and the other Secured Creditors in respect of the Security whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Priority of Payments and the terms of the Deed of Charge and the Supplemental Deed in priority to or *pari passu* with sums payable to each Noteholder; and
 - (iii) on the Final Maturity Date or if following final distribution of net proceeds of enforcement of the Security the Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer’s obligations to each Noteholder, then each Noteholder shall have no further

claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

- (b) Subject to Condition 10 (*Enforcement of Notes*), none of the Noteholders or the parties to the Transaction Documents shall be entitled to petition or take any corporate action or other steps or legal proceedings for the opening of Insolvency Proceedings of the Issuer for so long as the Notes are outstanding or for two years and a day after all sums outstanding and owing in respect of the Notes have been paid in full, provided that the Trustee may prove or lodge a claim in any Insolvency Proceeding of the Issuer initiated by another party and provided further that the Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Trust Deed.
- (c) None of the parties to the Transaction Documents shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of the Trust Deed or any other Transaction Document to which it is a party or any notice or documents which it is requested to deliver hereunder or thereunder.

Restated Residual Certificate Conditions

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

If Residual Certificates in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Residual Certificate would be as set out below. While the Residual Certificates remain in global form, the same terms and conditions govern such Residual Certificates, except to the extent that they are appropriate only to Residual Certificates in definitive form. These terms and conditions are subject to the detailed provisions of the Trust Deed and the Deed of Charge.

The residual certificates (the “**Residual Certificates**”) were issued by Mortgage Funding 2008-1 PLC (the “**Issuer**”) on 19 March 2008 (the “**Closing Date**”).

The Residual Certificates are constituted by a trust deed dated as of the Closing Date and amended and restated as of 23 August 2013 (as may be further amended, restated and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**” which expression includes all persons for the time being trustee or trustees appointed pursuant to the Trust Deed) for the holders for the time being of the Residual Certificates and are subject to a master securitisation agreement dated as of the Closing Date and the paying agency agreement set out in schedule 8 thereof (as amended, restated and/or supplemented from time to time, the “**Paying Agency Agreement**”) between, among others, the Issuer, The Bank of New York Mellon acting through its London Branch as agent bank (in such capacity, the “**Agent Bank**” which expression includes any successor agent bank appointed from time to time in connection with the Residual Certificates) and as principal paying agent (in such capacity, the “**Principal Paying Agent**” which expression includes any successor principal paying agent appointed from time to time in connection with the Residual Certificates and together with any further or other paying agents for the time being appointed in respect of the Residual Certificates, the “**Paying Agents**”), The Bank of New York Mellon (Luxembourg) S.A. as registrar (in such capacity, the “**Registrar**” which expression includes any successor registrar appointed from time to time in connection with the Residual Certificates) and as transfer agent (together with any successor or additional transfer agent appointed from time to time in connection with the Residual Certificates, the “**Transfer Agents**”) and the Trustee. The security for the Residual Certificates is created pursuant to, and on the terms set out in, a deed of charge (as amended, restated and/or supplemented from time to time, the “**Deed of Charge**”) dated as of the Closing Date and amended and restated as of 23 August 2013 between, among others, the Issuer and the Trustee and supplemented pursuant to, and on the terms set out in, the Supplemental Deed.

Copies of the Transaction Documents are available for inspection by the Instrumentholders upon reasonable notice during normal business hours at the principal office for the time being of the Trustee, being at the Closing Date at One Canada Square, London E14 5AL and at the specified offices for the time being of the Paying Agents.

The statements in these conditions relating to the Residual Certificates (the “**Residual Certificate Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Paying Agency Agreement and the other Transaction Documents. The Residual Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Deed of Charge and each other Transaction Document.

Capitalised words and expressions which are used in these Residual Certificate Conditions, shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule set out in Schedule 1 (Master Definitions Schedule) of the Master Securitisation Agreement dated as of the Closing Date between, among others, the Issuer, the Mortgage Administrator, the Trustee, the Principal Paying Agent and the Sellers (as may be amended, restated and/or supplemented from time to time). The following capitalised words and expressions shall have the following meanings:

“**Affiliate**” means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, “**control**” of a person means the power, direct or indirect (i) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise).

“**Appointee**” means any attorney, manager, agent, delegate, nominee, custodian, receiver, administrative receiver or other person appointed by the Trustee under the Trust Deed or the Deed of Charge.

“**Apportionment Factor**” means in relation to (a) the first Interest Payment Date, the number of days in the first Interest Period divided by 365; and (b) any other Interest Payment Date, 0.25.

“**Basic Terms Modification**” means, *inter alia*: (a) a modification which would have the effect of changing any day for payment in respect of the Residual Certificate; (b) the alteration of the majority required to pass an Extraordinary Resolution; (c) the alteration of the currency of payment of the Residual Certificate; or (d) any alteration of the priority of redemption of the Residual Certificate.

“**Business Day**” or “**business day**” means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and in Dublin.

“**Class**” means, as applicable, (i) prior to the Note Restructuring Effective Date, the A Notes and the B Notes and (ii) on or after the Note Restructuring Effective Date:

- (a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Notes, the A2 Notes and the B Notes; or
- (b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Notes, the B1 Notes and the B2 Notes; or
- (c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Notes, the A2 Notes, the B1 Notes and the B2 Notes,

or, in each case, any of them, as the context requires.

“**Determination Date**” means the third Business Day of the calendar month in which an Interest Payment Date occurs.

“**Extraordinary Resolution**” means (a) a resolution passed at a meeting of the Residual Certificateholders duly convened and held in accordance with the Trust Deed by a majority at such meeting consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75 per cent. of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of all the Residual Certificateholders *provided* that a resolution to amend the definition of Permitted Activities or to request that the Issuer undertake any action that is not Permitted Activities shall be required to be passed by holders of not less than 50 per cent. of each of (x) the aggregate Principal Amount Outstanding of the Notes and (y) the Total Number Outstanding of the Residual Certificates.

“**Independent Director**” means a duly appointed member of the board of directors of the relevant entity who should not have been, at the time of such appointment, or at any time in the preceding five years, a direct or indirect legal or beneficial owner in such entity or any of its affiliates (excluding *de minimis* ownership interests).

“**Liquidity Reserve Amount**” means the amount set forth as such in the Master Restructuring Agreement or the amended amount as notified by the Trustee to the Issuer as having been resolved by the A Noteholders, the B Noteholders and the Residual Certificateholders, each acting by Extraordinary Resolution in the form of a written resolution; *provided* that upon (i) the redemption in full of the A Notes (if the A Note Restructuring has not occurred) or the A1 Notes (if the A Note Restructuring has occurred) or (ii) the occurrence of an Event of Default, the Liquidity Reserve Amount shall be zero.

“**Loan Sale Interest Proceeds**” means all Loan Sale Proceeds other than Loan Sale Principal Proceeds.

“Loan Sale Principal Proceeds” means principal amounts representing the sale proceeds in respect of any Loan sold by the Issuer (or on its behalf) in accordance with Clause 27 (*Periodic Sales*) of the Mortgage Administration Agreement where such amounts are not applied by the Issuer (or designated to be so applied) to the purchase of Additional Loans.

“Noteholders” means (i) prior to the Note Restructuring Effective Date, the A Noteholders and the B Noteholders and (ii) on or after the Note Restructuring Effective Date:

(a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Noteholders, the A2 Noteholders and the B Noteholders; or

(b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Noteholders, the B1 Noteholders and the B2 Noteholders; or

(c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Noteholders, the A2 Noteholders, the B1 Noteholders and the B2 Noteholders;

and, in each case, **“Noteholder”** means any of them, as the context requires.

“Notes” means (i) prior to the Note Restructuring Effective Date, the A Notes and the B Notes and (ii) on or after the Note Restructuring Effective Date:

(a) if the A Note Restructuring occurs but the B Note Restructuring does not occur, the A1 Notes, the A2 Notes and the B Notes; or

(b) if the B Note Restructuring occurs but the A Note Restructuring does not occur, the A Notes, the B1 Notes and the B2 Notes; or

(c) if the A Note Restructuring occurs and the B Note Restructuring occurs, the A1 Notes, the A2 Notes, the B1 Notes and the B2 Notes,

and, in each case, **“Note”** means any of them, as the context requires.

“Permitted Activities” means the activities contemplated in the Transaction Documents as being undertaken by the Issuer, including (i) the acquisition of the Loans, the Collateral Security and their Related Rights; (ii) the appointment of entities to undertake the administration and servicing of the Loans, the Collateral Security and the Related Rights and the collection and administration of monies relating thereto in accordance with the terms of the Transaction Documents; (iii) the issue of the Instruments, the granting and maintaining of security therefor, the listing and rating thereof and the making of any Basic Terms Modifications thereto; (iv) the entering into of borrowings; (v) the investment of collections from the Loans together with any proceeds retained by the Issuer from the issue of the Instruments and any borrowings and (vi) the payment of liabilities, maintenance of hedging and administrative functions required to be undertaken in respect of the Instruments.

“Related Rights” means all ancillary rights, accretions and supplements to the Loans and Collateral Security.

“Residual Revenue” means, as of any Interest Payment Date, an amount calculated as being the aggregate of (a) the amount available at item (xiv) of the Pre-Enforcement Priority of Payments (or item (viii) of the Post-Enforcement Priority of Payments, as applicable) and (b) all amounts standing to the credit of the Prepayment Charges Ledger as at the close of business on the immediately preceding Business Day.

“Residual Revenue Deficiency” means on a Determination Date the amount, if any, by which the Available Revenue Fund on that Determination Date (after the transfers pursuant to Clause 8.4 (*Determination Date – Ledger transfers*) of the Cash/Bond Administration Agreement) together with the amounts, if any, expected to be credited to the Available Revenue Ledger on or before the immediately succeeding Interest Payment Date is insufficient to pay

or provide for payment of the amounts referred to in items (i) to (v) (inclusive) of the Pre-Enforcement Priority of Payments.

“**Total Number Outstanding**” means 10,000.

“**Transaction Documents**” means the Trust Deed, the Deed of Charge, the Paying Agency Agreement, the Mortgage Administration Agreement, the Cash/Bond Administration Agreement, the Mortgage Sale Agreement, the Closing Arrangements Deed, the Collection Accounts Declarations of Trust, the GIC, the Master Securitisation Agreement, the Bank Agreement, the Corporate Services Agreement, the Master Definitions Schedule, the Master Restructuring Agreement, the Scottish Declarations of Trust, the Subscription Agreement and the Supplemental Deed, each as may be amended, restated and/or supplemented from time to time, and each a “**Transaction Document**”.

1. **Form and Title**

- (a) The Residual Certificates are represented initially by a global certificate in registered form (the “**Global Residual Certificate**”). References herein to the “**Residual Certificates**” shall include (i) in relation to any Residual Certificates represented by the Global Residual Certificate, units thereof corresponding to the Residual Certificates, (ii) Definitive Residual Certificates issued in exchange for the Global Residual Certificate and (iii) the Global Residual Certificate.
- (b) If (i) the circumstances referred to in Residual Certificate Condition 9(a) (*Events of Default*) occurs or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or has in fact done so and no successor clearing system acceptable to the Trustee is available or (iii) as a result of any amendment to, or change in, (A) the laws or regulations of the United Kingdom (or of any political sub division thereof) or of any authority therein or thereof having power to tax or (B) the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer is or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Residual Certificates which would not be required were the Residual Certificates in definitive form, then the Issuer will, within 30 days of the occurrence of the relevant event, issue serially numbered Residual Certificates in definitive registered form in exchange for the whole outstanding interest in the Global Residual Certificate.
- (c) With respect to the Definitive Residual Certificates, title shall pass by and upon registration in the register which the Issuer shall procure to be kept by the Registrar (the “**Register**”). Any holder of a Global Residual Certificate (a “**Global Residual Certificateholder**”) or holder of a Definitive Residual Certificate (a “**Definitive Residual Certificateholder**”) 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 Residual Certificate or Definitive Residual Certificate 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 a duly executed transfer of such Residual Certificate in the form endorsed thereon.
- (d) Transfers and exchanges of beneficial interests in the Global Residual Certificate will be made subject to any restrictions on transfers set forth on such Residual Certificate. In no event will a transfer of a beneficial interest in the Global Residual Certificate or a Definitive Residual Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Trustee.
- (e) A Definitive Residual Certificate may be transferred upon the surrender of the relevant Definitive Residual Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Each new Definitive Residual Certificate to be issued upon a transfer 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 of the Definitive Residual Certificate to such address as may be specified in such request.

- (f) Registration of Definitive Residual Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it. No holder of a Definitive Residual Certificate may require the transfer of such Residual Certificate to be registered during the period of 15 days ending on the due date for any payment of sums due on such Residual Certificate.

2. **Status, Security and Administration**

Status

- (a) The Residual Certificates constitute direct, secured (as more particularly described in the Deed of Charge) limited recourse obligations of the Issuer and rank *pari passu* without preference or priority amongst themselves.
- (b) The Residual Certificates have no voting rights under the Trust Deed or these Residual Certificate Conditions save in respect of themselves. The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding, the Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of, or act at the direction of, any persons having the benefit of the Security, other than the Noteholders and the Residual Certificateholders in accordance with the Trust 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.

Security

- (c) As security for the payment of all monies payable in respect of the Notes, the Residual Certificates and otherwise under the Trust Deed (including but not limited to the remuneration, expenses, indemnities and any other claims of the Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Mortgage Administrator under the Mortgage Administration Agreement, the Cash/Bond Administrator under the Cash/Bond Administration Agreement, the Principal Paying Agent, any other Paying Agent, the Registrar, the Transfer Agents, and the Agent Bank under the Paying Agency Agreement, the Account Bank and the Collection Account Bank under the Bank Agreement, the GIC Provider under the GIC, the Corporate Services Provider under the Corporate Services Agreement and each Seller in respect of its entitlement to unpaid consideration under the Mortgage Sale Agreement, the Issuer will enter into the Deed of Charge, creating the following security in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder (save that the Trustee shall hold the benefit of its security interest with respect to the Prepayment Charges Receipts solely for the benefit of the Residual Certificateholders) (such parties, the “**Secured Creditors**”):
 - (i) a first fixed charge in favour of the Trustee over the Issuer’s interests in each Loan, each related Mortgage and all other collateral security given or obtained in connection with such Loan in the Mortgage Pool (such collateral security, together with the Mortgages, the “**Collateral Security**” and including, without limitation, (1) the benefit of all affidavits, declarations, consents, renunciations, waivers and deeds of postponement from occupiers and other persons having an interest in or rights in connection with the relevant Property, (2) the benefit of (including notations of interest on) insurance and assurance policies (including, without limitation, all returns of premium and proceeds in respect of such policies) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property, and (3) (to the extent assignable without the consent of the relevant counterparty) all courses and rights of action (whether assigned to the Issuer or otherwise) against valuers, solicitors, the Land Registry of England and Wales, the Registers of Northern Ireland and the Registers of Scotland or any other person in connection with any report (including a report on title), valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with the relevant Loan, Mortgage, other collateral security or

Property) and, in relation to Loans which are Scottish Loans, such fixed charge will take the form of an assignment in security, governed by Scots law, of the Issuer's interests in each such Scottish Loan, its related Scottish Mortgage and other Collateral Security as comprised in the relevant Scottish Trust;

- (ii) an assignment in favour of the Trustee of the Issuer's interests in the insurance contracts to the extent that they relate to the Loans and their related Collateral Security;
- (iii) an assignment in favour of the Trustee of the benefit of the Issuer in each of the Transaction Documents (other than the Trust Deed and the Deed of Charge);
- (iv) a first fixed charge in favour of the Trustee over the Issuer's interest in the Bank Accounts and any other bank accounts or Authorised Investments in which the Issuer has an interest; and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in paragraphs (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer,

(such property, assets, rights, accounts, undertaking, together, the "**Charged Property**").

Priority of Payments prior to enforcement

- (d) The "**Available Revenue Fund**" at any time comprises the credit balance of the Available Revenue Ledger at that time. Prior to enforcement of the Security, on each Determination Date the Issuer shall determine the Available Revenue Fund as at that Determination Date and (taking into account any payments to be made or received from that date up to and including the immediately following Interest Payment Date) shall on the succeeding Interest Payment Date apply this in or towards the satisfaction of the following amounts in the following order of priority (the "**Pre-Enforcement Priority of Payments**") in each case making an appropriate debit to the Available Revenue Ledger:
 - (i) first, when due, the remuneration payable to the Trustee or any Appointee (plus value added tax, if any) and any costs, charges, liabilities and expenses incurred by the Trustee or any Appointee under the provisions of or in connection with the Trust Deed, the Deed of Charge or any other Transaction Document together with any applicable interest as provided in the Trust Deed or the Deed of Charge;
 - (ii) second, pro rata:
 - (A) amounts, when due, including audit fees, company secretarial expenses and costs and expenses incurred in connection with the appointment of any substitute administrator (plus value added tax, if any), which are payable by the Issuer to third parties and incurred without breach by the Issuer pursuant to the Trust Deed, the Deed of Charge or the Cash/Bond Administration Agreement and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Issuer during the Interest Period commencing on that Interest Payment Date and to provide for the Issuer's primary liability or possible primary liability for corporation tax;
 - (B) an amount, when due, equal to any premia due in respect of insurance contracts held by the Issuer; and
 - (C) an amount equal to £890 by crediting the Profit Ledger;
 - (iii) third, pro rata:
 - (A) except to the extent already paid to the Mortgage Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Closing

- Date (1) the mortgage administration fee due and payable under the Mortgage Administration Agreement, such fee being up to a maximum of the product of 0.25 per cent per annum and the aggregate Principal Balance of the Loans as at the Determination Date immediately preceding the immediately prior Interest Payment Date, multiplied by the Apportionment Factor and (2) any costs and expenses incurred by the Mortgage Administrator in accordance with the Mortgage Administration Agreement;
- (B) except to the extent already paid to the Cash/Bond Administrator since the preceding Interest Payment Date or, in the case of the first Interest Payment Date, since the Closing Date, (1) the cash/bond administration fee due and payable under the Cash/Bond Administration Agreement to the Cash/Bond Administrator and (2) any costs and expenses incurred by the Cash/Bond Administrator due and payable in accordance with the Cash/Bond Administration Agreement;
 - (C) (1) the corporate services fee (inclusive of value added tax if any) due and payable pursuant to the Corporate Services Agreement to the Corporate Services Provider divided by four and (2) costs and expenses incurred by the Corporate Services Provider in accordance with the Corporate Services Agreement;
 - (D) amounts due to the Paying Agents, the Registrar, the Transfer Agents and the Agent Bank under the Paying Agency Agreement;
 - (E) amounts due to the GIC Provider under the GIC; and
 - (F) amounts due to the Account Bank and the Collection Account Bank under the Bank Agreement;
- (iv) fourth, to the payment, pro rata, of any Approved Waterfall Effective Date Transaction Costs and any Approved Note Restructuring Transaction Costs, in each case, to the extent not paid from the Restructuring Costs Ledger in accordance with Clause 3.5 of the Master Restructuring Agreement or pursuant to Residual Certificate Conditions 2(d)(i)–(iii) above;
- (v) fifth,
- (A) if the A Note Restructuring has not occurred, to pay, pari passu and pro rata, amounts of interest due and payable on the A Notes; or
 - (B) if the A Note Restructuring has occurred, to pay, pari passu and pro rata, amounts of interest due and payable on the A1 Notes;
- (vi) sixth, to the Liquidity Reserve Ledger, an amount (if any) necessary to replenish the Liquidity Reserve Ledger up to the Liquidity Reserve Amount;
- (vii) seventh,
- (A) if the A Note Restructuring has not occurred, to apply amounts to reduce the A Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes); or
 - (B) if the A Note Restructuring has occurred, to apply amounts to reduce the A1 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A1 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes);

- (viii) eighth, if the A Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the A2 Notes;
- (ix) ninth, if the A Note Restructuring has occurred, to apply amounts to reduce the A2 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the A2 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes);
- (x) tenth, if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B1 Notes;
- (xi) eleventh, if the B Note Restructuring has occurred, to apply amounts to reduce the B1 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B1 Principal Deficiency Ledger) such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes);
- (xii) twelfth,
 - (A) if the B Note Restructuring has not occurred, to apply amounts to reduce the B Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B Principal Deficiency Ledger), such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes); or
 - (B) if the B Note Restructuring has occurred, to apply amounts to reduce the B2 Principal Deficiency to zero (by crediting the Principal Ledger and making a corresponding credit to the B2 Principal Deficiency Ledger), such amounts to be applied in redemption of the Notes in accordance with Condition 5(b) (Mandatory redemption in part of the Notes);
- (xiii) thirteenth,
 - (A) if the B Note Restructuring has not occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B Notes; or
 - (B) if the B Note Restructuring has occurred, to pay, *pari passu* and *pro rata*, amounts of interest due and payable on the B2 Notes; and
- (xiv) fourteenth, in or towards payment, *pari passu* and *pro rata*, of RC Distributions to the Residual Certificateholders.

If, as of any Determination Date, a Residual Revenue Deficiency exists, the Issuer (or the Cash/Bond Administrator on behalf of the Issuer) shall transfer funds on such Determination Date from the Liquidity Reserve Ledger (to the extent of funds in the Liquidity Reserve Ledger) to the Available Revenue Ledger sufficient to cover such Residual Revenue Deficiency. If, as of any Interest Payment Date, the amount of the Liquidity Reserve Ledger exceeds the Liquidity Reserve Amount (calculated after making all payments in respect of the A Notes or the A1 Notes (as applicable) on such Interest Payment Date), such excess shall be transferred to the Available Revenue Ledger and distributed in accordance with the remainder of the Priority of Payments.

In the event that any payment to be made from the Available Revenue Fund by the Issuer does not result in the relevant amount of the Available Revenue Fund being denominated in the relevant currency in which such payment is to be made, the Issuer (or the Cash/Bond Administrator on the Issuer's behalf) shall convert the relevant amounts comprised in the Available Revenue Fund to make such payment into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

In addition to payments pursuant to item (xiv) of the Pre-Enforcement Priority of Payments above, the Residual Certificateholders will, on each Interest Payment Date, be entitled to distributions of all amounts standing to the credit of the Prepayment Charges Ledger as at the close of business on the immediately preceding Business Day.

Priority of Payments Post-Enforcement

- (e) After the Trustee has given notice to the Issuer pursuant to Condition 9(a) (*Events of Default*) declaring the Notes to be due and repayable, the Trustee shall, to the extent of the funds available to the Issuer and from the proceeds of enforcement of the Security, make payments in the following order of priority (the “**Post-Enforcement Priority of Payments**” and, together with the Pre-Enforcement Priority of Payments, the “**Priority of Payments**”) pursuant to, in accordance with and as set out more fully in the Deed of Charge:
- (i) first, to pay, pro rata, any remuneration then due to the Trustee, any receiver or administrator appointed by the Trustee or any other Appointee of the Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, losses, damages, proceedings, claims and demands then incurred by the Trustee, such receiver or administrator or such Appointee together with interest thereon (plus value added tax, if any);
 - (ii) second, to pay, pro rata, the fees, costs, expenses and liabilities due to the Mortgage Administrator, the Cash/Bond Administrator, the Corporate Services Provider, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Account Bank, the Collection Account Bank and the GIC Provider, together with value added tax (if any) chargeable thereon;
 - (iii) third,
 - (A) if the A Note Restructuring has not occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the A Notes; or
 - (B) if the A Note Restructuring has occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the A1 Notes;
 - (iv) fourth, if the A Note Restructuring has occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the A2 Notes;
 - (v) fifth,
 - (A) if the B Note Restructuring has not occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the B Notes; or
 - (B) if the B Note Restructuring has occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the B1 Notes;
 - (vi) sixth, if the B Note Restructuring has occurred, to pay, pari passu and pro rata, any interest and principal then due and payable on the B2 Notes;
 - (vii) seventh, to pay an amount equal to £890 to the Profit Ledger; and
 - (viii) eighth, in or towards payment, pari passu and pro rata, of RC Distributions to the Residual Certificateholders.

In addition to payments pursuant to item (viii) of the Post Enforcement Priority of Payments above, the Residual Certificateholders will be entitled to distributions of all amounts standing to the credit of the Prepayment Charges Ledger.

In such distribution, the manner of making payments to the Residual Certificateholders shall remain as specified prior to the Residual Certificates being declared due and payable. The Residual Certificateholders have limited recourse to the Issuer in respect of the payments prescribed above and accordingly are entitled to bring a claim under English law, subject to the Trust Deed, the Deed of Charge, the Supplemental Deed and Certificate Condition 16 (*Non Petition and Limited Recourse*) for the full amount of such payments in accordance with Residual Certificate Condition 9 (*Events of Default*).

The Security will become enforceable upon the giving of an Enforcement Notice pursuant to Condition 9(a) (*Events of Default*) of the Notes or upon any failure by the Issuer to pay the full amount when due on the Notes pursuant to Condition 5(a) (*Final redemption*) or following the giving of notice of redemption of the Notes pursuant to Condition 5(d) (*Early Redemption*) or Condition 5(e) (*Redemption for tax reasons*) of the Notes 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 comprised in the Security or any part thereof unless either (A) the Trustee is satisfied that sufficient amounts would be realised to allow discharge in full of all amounts owing to the Noteholders and any other Secured Creditors ranking *pari passu* with or in priority thereto; or (B) the Trustee is of the sole opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, acting in its absolute discretion, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any other Secured Creditors ranking *pari passu* with or in priority thereto.

No Residual Certificateholder shall be entitled to take any steps or proceedings to procure the winding up, dissolution, assignment, reorganization, bankruptcy, insolvency, examinership or liquidation of the Issuer.

Control of Trustee

- (f) The Residual Certificates are subject to the Deed of Charge pursuant to which the claims and exercise of rights by the beneficiaries of the Security against the Issuer are regulated.

3. Covenants

Save with the prior written consent of the Trustee (but subject as provided in Residual Certificate Condition 10 (*Meetings of Residual Certificateholders; Modifications; Consents; Waiver*)) or as provided in or envisaged by the Conditions to the Notes or any of the Transaction Documents, the Issuer shall not for so long as any Residual Certificate remains outstanding (as defined in the Master Definitions Schedule):

- (a) *Negative pledge*

create or permit to subsist any mortgage, sub mortgage, assignment, assignation, standard security, charge, sub charge, pledge, lien (unless arising by operation of law), hypothecation, assignation or other security interest whatsoever 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 nor have any interest in any account whatsoever with any bank or other financial institution other than the Bank Accounts and the Collection Accounts, save where such account is immediately charged in favour of the Trustee so as to form part of the assets subject to the Security described in Residual Certificate Condition 2 (Status, Security and Administration) and the Trustee receives from such other bank or financial institution an acknowledgement of the

security rights and interests of the Trustee and an agreement that it will not exercise any right of set off it might otherwise have against the account in question;

- (iii) have any subsidiaries or employees or own, rent, lease or be in possession of any assets (including, without limitation, buildings, premises or equipment);
- (iv) act as a director of or hold any office in any company or other organisation;
- (v) amend, supplement or otherwise modify its Memorandum or Articles of Association or other constitutive documents; or
- (vi) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U.S. federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under U.S. federal income tax principles;

(c) *Dividends or distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares (other than amounts paid from the Profit Ledger);

(d) *Borrowings*

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or any obligation of any person;

(e) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) *Disposal of assets*

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over 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) apply to become part of any group for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or
- (ii) surrender or consent to the surrender of any amounts by way of group relief within the meaning of Chapter IV of Part X of the Income and Corporation Taxes Act 1988;

(h) *Other*

permit any of the Transaction Documents, the insurance contracts relating to the Mortgages from time to time owned by the Issuer or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated, postponed or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed, the Conditions and these Residual 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 part of the Security save as envisaged in the Transaction Documents; and

(i) *Independent Director*

at any time have fewer than one Independent Director.

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, acting in its absolute discretion, may deem expedient in the interests of the Noteholders, provided that Rating Agency Confirmation is given to the Trustee in respect of such modifications or additions.

4. **RC Distributions**

(a) *Entitlement*

Each Residual Certificate bears an entitlement to receive a distribution (an “**RC Distribution**”) on each Interest Payment Date equal to a *pro rata* share of the Residual Revenue in respect of such Interest Payment Date.

Each Residual Certificate shall cease to bear an entitlement to any RC Distributions from the date of the cancellation of the Residual Certificates (in accordance with Residual Certificate Condition 5 (*Cancellation*)).

(b) *Payment*

Subject to Residual Certificate Condition 6 (Payments), RC Distributions are payable in sterling on the 13th day of June, September, December and March in each year (or if such day is not a Business Day, the next succeeding Business Day) (each such date an “**Interest Payment Date**”), the first such payment to be made on 13 June 2008.

(c) *Determination and Calculation*

The Agent Bank shall, on each Interest Payment Date, determine and notify in writing the Issuer, the Mortgage Administrator, the Trustee, the Paying Agents and the Irish Stock Exchange of the sterling amount of the RC Distributions payable on such Interest Payment Date in respect of each Residual Certificate.

(d) *Publication and other Notices*

As soon as practicable after receiving notification thereof, the Agent Bank (on behalf of the Issuer) will cause the RC Distributions amount payable on each Interest Payment Date to be notified to each stock exchange (if any) on which the Residual Certificates are then listed and will cause notice thereof to be given in accordance with Residual Certificate Condition 13 (Notice to Residual Certificateholders).

(e) *Determination or calculation by Trustee*

If the Agent Bank does not at any time for any reason determine and/or calculate the RC Distributions in accordance with paragraph (c), the Trustee shall (at the cost of the Issuer) determine and calculate or procure the determination and calculation of the RC Distributions amount, and any such determination and/or calculation by, or procured by, the Trustee shall be notified (at the cost of the Issuer) in accordance with paragraph (c) above and shall be deemed to have been made by the Agent Bank.

(f) *Notifications to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Residual Certificate 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 Cash/Bond Administrator, the Agent Bank, the Trustee and all Residual Certificateholders and (in the absence of wilful default or bad faith) no liability to the Trustee or the Residual Certificateholders shall attach to the Issuer, to the Cash/Bond Administrator, 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.

5. **Cancellation**

The entitlement of Residual Certificateholders to receive RC Distributions is contingent on the Notes remaining outstanding. Subject to the payment to Residual Certificateholders of RC Distributions then payable, the Residual Certificates shall be cancelled and will no longer constitute a claim against the Issuer following any redemption of all (but not some only) of the Notes. The Issuer shall not purchase any Residual Certificates.

6. **Payments**

- (a) Payments of RC Distributions in respect of the Global Residual Certificate will be made to the persons in whose names the Global Residual Certificate is registered on the Register at the close of business on the tenth Business Day before the relevant due date (the “**Record Date**”). Payments in respect of the Global Residual Certificate will be made by transfer to a sterling account maintained by the payee with a bank in London.
- (b) The holder of the Global Residual Certificate shall be the only person entitled to receive payments in respect of Residual Certificates represented by such Global Residual Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Residual Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear and Clearstream, Luxembourg as the beneficial owner of a particular principal amount of Residual Certificates represented by such Global Residual Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment made by the Issuer to, or to the order of, the holder of the Global Residual Certificate. Such persons shall have no claim directly against the Issuer in respect of payment due on the Residual Certificates for so long as such Global Residual Certificate is outstanding.
- (c) Payments of RC Distributions in respect of Definitive Residual Certificates will be made by sterling cheque drawn on a bank in London, mailed to the holder (or to the first-named joint holders) of such Definitive Residual Certificates at the address shown on the Register not later than the due date for such payment. For the purposes of this Residual Certificate Condition 6(c) (*Payments*), the holder of a Definitive Residual Certificate 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.
- (d) Upon application by the holder of a Definitive Residual Certificate to the specified office of the Registrar not later than the Record Date for any payment in respect of such Definitive Residual Certificate, such payment will be made by transfer to a sterling account maintained by the payee with a bank in London. Any such application for transfer to such an account shall be deemed to relate to all future payments in respect of the Definitive Residual Certificates which become payable to the Residual Certificateholder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Residual Certificateholder.
- (e) Payments of RC Distributions in respect of the Residual Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto. No commission or expenses shall be charged to the Residual Certificateholders in respect of such payments.
- (f) The initial Principal Paying Agent, the initial Registrar and their initial specified offices are set out at the end of these Residual Certificate 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 Registrar or any Paying Agent and appoint an additional or other Registrar or Paying Agent; provided that such Paying Agent's officer administering payments in respect of the Residual Certificates is located outside the United States and its possessions. The Issuer undertakes that it will ensure that it maintains a Principal Paying Agent and a Registrar. The Issuer will cause at least 14 days' notice of any change in or addition to the Registrar or any Paying Agent or its specified office to be given in accordance with Residual Certificate Condition 13 (*Notice to Residual Certificateholders*).

- (g) If the due date for any payment of an RC Distribution is on a Saturday, a Sunday or a day on which commercial banks and foreign exchange markets do not settle payments and are not open for general business in London, payment will not be made until the next succeeding Business Day in that location and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Residual Certificate.

7. **Prescription**

The Global Residual Certificate shall become void unless presented for payment within a period of five years from the date on which the final RC Distributions first became due. Claims for RC Distributions in respect of Definitive Residual Certificates shall become void unless made within a period of five years from the date on which the final RC Distributions first became due. After the date on which a Residual Certificate becomes void in its entirety, no claim may be made in respect thereof.

8. **Taxation**

All payments in respect of the Residual 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 the relevant Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Residual Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties or 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. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Residual Certificates in respect of such withholding or deduction.

9. **Events of Default**

Upon the service of a notice by the Trustee on the Issuer in accordance with Condition 9(a) (*Events of Default*) of the Notes that the Notes are due and repayable, RC Distributions in respect of the Residual Revenue (if any) received by the Issuer as at the date of such declaration shall become immediately due and payable.

10. **Meetings of Residual Certificateholders; Modifications; Consents; Waiver**

- (a) The Trust Deed contains provisions for convening meetings of Residual Certificateholders, to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of the Residual Certificateholders of any modification of the Residual Certificates (including these Residual Certificate Conditions). Any resolution to alter the definition of Permitted Activities or to request that the Issuer undertake any action that is not Permitted Activities shall be by Extraordinary Resolution.
- (b) The quorum at any meeting of the Residual Certificateholders for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. of the Residual Certificates, or, at any adjourned meeting, one or more persons being or representing any Residual Certificates whatever the Residual Certificates so 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 one 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 Residual Certificates. The quorum at any meeting of the Residual Certificateholders for all business other than voting on an Extraordinary Resolution shall be one or more persons holding or representing in the aggregate not less than 5 per cent. of the Residual Certificates or, at

any adjourned meeting, one or more persons being or representing any Residual Certificateholders whatever the Residual Certificateholders so held.

- (c) Except in certain circumstances described in the Trust Deed, an Extraordinary Resolution of the Residual Certificateholders shall only be effective when the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Noteholders, or it is sanctioned by an Extraordinary Resolution of the holders of each Class of Notes.
- (d) An Extraordinary Resolution passed at any meeting of the Residual Certificateholders shall be binding on all Residual Certificateholders, whether or not they are present at the meeting.
- (e) The Trustee may agree without the consent of the Residual Certificateholders:
 - (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Residual Certificates or any of the Transaction Documents without having regard to the interests of the relevant Residual Certificateholders provided that, in the case of a breach of Residual Certificate Condition 4 (*RC Distributions*) or Residual Certificate Conditions 6 (*Payments*) or in the case of modification of the Residual Certificate Conditions, the Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the Residual Certificateholder, and would not constitute a change in any Permitted Activities that the Issuer may undertake; or
 - (ii) to any modification of the Residual Certificates (including these Residual Certificate Conditions) or any of the Transaction Documents, which in the Trustee's sole opinion is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the sole opinion of the Trustee, proven.

11. **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 Deed bound to act at the request or direction of the Residual Certificateholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with, among others, the Issuer, the Mortgage Administrator, the Cash/Bond Administrator and/or related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Administrator, the Cash/Bond Administrator or any agent or related company of the Mortgage Administrator, the Cash/Bond Administrator 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 monitor or supervise compliance by the Issuer, the Mortgage Administrator or the Cash/Bond Administrator with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the Properties secured by the Mortgages.
- (c) The Trustee will not be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties, or (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. The Trustee will not be liable to any Residual Certificateholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would

normally be made by a prudent chargee in relation to the Security and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trustee shall have no obligation to enquire if the Security has validly been granted to it.

Notwithstanding that none of the Trustee or the Residual Certificateholders may have any right of recourse against the Rating Agencies in respect of any confirmation given by them and relied upon by the Trustee pursuant to this Residual Certificate Condition, 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 Residual Certificate Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Residual Certificateholders if the Issuer certifies to the Trustee that each specified Rating Agency has confirmed that the then current ratings of each Class of Notes rated by such Rating Agency will not be downgraded as a consequence of such exercise. By purchasing the relevant Residual Certificates, each Residual Certificateholder agrees and acknowledges that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to such Residual Certificateholder. In being entitled to rely on the fact that the Rating Agencies have confirmed that the then current rating of each Class of Notes rated by such Rating Agency would not be adversely affected, the Trustee and each Residual Certificateholder expressly agrees and acknowledges that this reliance does not impose or extend any actual or contingent liability for the Rating Agencies to the Trustee or the Residual Certificateholders or any other person to or create any legal relations between the Rating Agencies and the Trustee or the Residual Certificateholders or any other person whether by way of contract or otherwise.

12. **Replacement of Definitive Residual Certificates**

If any Residual Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent (located outside the United States and its possessions). Replacement of any mutilated, defaced, lost, stolen or destroyed Residual 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 Residual Certificates must be surrendered before new ones will be issued.

13. **Notice to Residual Certificateholders**

Any notice to the Residual Certificateholders shall be validly given by any of:

- (a) the information contained in such notice appearing 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**”);
- (b) by publication in a leading newspaper published in Ireland (which is expected to be 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;
- (c) whilst the Residual Certificates are in global form, if delivered to Euroclear and/or Clearstream, Luxembourg (as applicable) for communicating them to the Residual Certificateholders; or
- (d) whilst the Residual Certificates are in definitive form, if mailed to the Residual Certificateholders at their respective addresses in the Register.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Residual Certificates are for the time being listed or any other relevant authority.

Any notice under paragraph (a) or (b) shall be deemed to have been given to the Residual Certificateholders 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 in all newspapers in which (or on the Relevant Screen on which)

publication is required. Any notice under paragraph (c) shall be deemed to have been given to the Residual Certificateholders on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg. Any notice under paragraph (d) shall be deemed to have been given on the third day after being mailed to the address of the relevant Residual Certificateholder at its address stated in the Register.

The Trustee shall be at liberty to sanction some other method of giving notice to the Residual Certificateholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Residual Certificateholders are then listed and provided that notice of such other method is given to the Residual Certificateholders in such manner as the Trustee shall require.

14. **Third Party Rights**

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Residual Certificates.

15. **Governing Law and Jurisdiction**

- (a) The Trust Deed and the Residual Certificates are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer has agreed in the Trust Deed that the courts of England shall have non exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Residual Certificates (respectively, the “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) In the Trust Deed, the Issuer has waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum.

16. **Non Petition and Limited Recourse**

- (a) Each of the Residual Certificateholders by purchasing or subscribing for the Residual Certificates agrees with the Issuer that notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Residual Certificateholders, including, without limitation, its obligations under the Residual Certificates and the Transaction Documents, are limited in recourse as set out below:
 - (i) each Residual Certificateholder agrees that it will have a claim only in respect of, and will be limited to, the property, assets and rights of the Issuer which are subject to the Security and the amounts received, realised or otherwise recovered therefrom and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer’s other assets or its contributed capital;
 - (ii) sums payable to each Residual Certificateholders in respect of the Issuer’s obligations to such Residual Certificateholders shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Residual Certificateholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Trustee and the other Secured Creditors in respect of the Security whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Priority of Payments and the terms of the Deed of Charge and the Supplemental Deed in priority to or *pari passu* with sums payable to each Residual Certificateholder; and
 - (iii) on the date of the cancellation of the Residual Certificates or if following final distribution of net proceeds of enforcement of the Security, the Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer’s obligations to each Residual

Certificateholder, then each Residual Certificateholder shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

- (b) Subject to Condition 9 (*Event of Default*) none of the Residual Certificateholders or the parties to the Transaction Documents shall be entitled to petition or take any corporate action or other steps or legal proceedings for the winding up, dissolution, court protection, examinership, reorganisation, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of a receiver, administrator, receiver, or manager, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer in respect of the Issuer or any of its revenues or assets for so long as the Notes are outstanding or for two years and a day after all sums outstanding and owing in respect of the Notes have been paid in full, provided that the Trustee may prove or lodge a claim in liquidation of the Issuer initiated by another party and provided further that the Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Trust Deed.
- (c) None of the parties to the Transaction Documents shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of the Trust Deed or any other Transaction Document to which it is a party or any notice or documents which it is requested to deliver hereunder or thereunder.

Master Restructuring Agreement and Restated Securitisation Documents

Copies of the Master Restructuring Agreement and the Restated Securitisation Documents (including comparisons of the terms of the Original Securitisation Documents as against the terms of the Restated Securitisation Documents) are available for inspection at the registered office of the Issuer during normal business hours.

Queries may be addressed to the Issuer as follows:

Mortgage Funding 2008-1 PLC
c/o Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London EC2R 7AF

Attention: The Directors
Telephone: +44 (0) 20 7397 3600
Fax: +44 (0) 20 7397 3601
e-mail: ComplianceTeam@WilmingtonTrust.com

Ref: Mortgage Funding 2008-1 PLC

This Notice is given by the Issuer.

23 August 2013