

DATED 6th JUNE 2013

PRIVATE PLACING MEMORANDUM

ISSUED BY

CHERRY GODFREY CONSUMER FUNDING II LIMITED

(a non-cellular company limited by shares incorporated under the Companies
(Guernsey) Law, 2008 with registered number 55039)

PRIVATE PLACING
UP TO £30,000,000 IN NOMINAL VALUE
SECURED LOAN NOTES 2013

Babbé

Advocates & Notaries Public

18-20 Smith Street
St. Peter Port
Guernsey
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Channel Islands



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents or what action to take you should consult immediately your financial advisor. The contents of this Private Placing Memorandum are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice. Prospective Noteholders should rely only on the information in this Private Placing Memorandum. No person has been authorised to give any information or make any representations other than those contained in this Private Placing Memorandum and if given, or made, such information or representations must not be relied on as having been authorised by the Issuer. Investment in loan notes issued by Cherry Godfrey Consumer Funding II Limited (the “**Issuer**”), an unquoted company, is speculative and involves a high degree of risk. A prospective investor should be aware of the risks of investing in loan notes issued by such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Recipients are required to keep the contents of this Private Placing Memorandum confidential. It may not be copied, in whole or in part, or distributed or otherwise made available by any recipient directly or indirectly without the express written consent of the Issuer or its professional advisers. In particular, the distribution of this document in certain jurisdictions may be restricted by law and therefore persons in possession of this document should inform themselves about and observe any such restrictions.

The whole text of this Private Placing Memorandum should be read in conjunction with the attached Application Form and Loan Note Instrument relating to the Placing. An investment in Cherry Godfrey Consumer Funding II Limited in reliance on this document is speculative and may expose you to a significant risk of losing all of the monies you invest. The attention of Noteholders is drawn, in particular, to “Risk Factors” set out in Part IV of this document.

PRIVATE PLACING MEMORANDUM

CHERRY GODFREY CONSUMER FUNDING II LIMITED
(a non-cellular company limited by shares incorporated under the Companies
(Guernsey) Law, 2008 with registered number 55039))

PRIVATE PLACING
UP TO [£30,000,000] IN NOMINAL VALUE
9 YEAR SECURED LOAN NOTES

The Issuer is not regulated by the Guernsey Financial Services Commission (“**GFSC**”) under The Protection of Investors (Bailiwick of Guernsey), Law 1987.

Neither the GFSC nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Issuer or for the correctness of any statements made or opinions expressed with regard to it. Subject as set out below, the Issuer and its directors whose names appear on page 2 of this Private Placing Memorandum accept responsibility for the information contained in this Private Placing Memorandum and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Private Placing Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of the Issuer have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the directors accept responsibility accordingly.

The content of this promotion has not been approved by an authorised person within the meaning of the UK Financial Services and Markets Act 2000. Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested.

Neither the delivery of this Private Placing Memorandum nor the offering, sale or delivery of the Loan Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Private Placing Memorandum has been most recently amended or supplemented.

The distribution of this Private Placing Memorandum and the offering, sale and delivery of the Loan Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Private Placing Memorandum comes are required by the Issuer to inform themselves about and to observe any such restrictions. In particular, the Loan Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or any state securities laws in the United States or under the applicable securities laws of Australia, Canada, Japan, South Africa, Singapore or Hong Kong. Subject to certain exceptions, Loan Notes may not be offered, sold or delivered within Australia, Canada, Japan, South Africa, Singapore or Hong Kong.

This document may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

This document does not constitute an offer or an invitation to subscribe for, or purchase, any Loan Notes and should not be considered as a recommendation by the Issuer that any recipient of this document should subscribe for, or purchase, any Loan Notes. Each recipient shall be taken to have made its own investigation and appraisal of the financial condition of the Issuer.

Neither the Issuer nor the Directors make any representation as to the likely tax treatment of any amount paid or payable under or in respect of the Loan Notes, whether in respect of principal or interest. Persons subscribing for Loan Notes should satisfy themselves as to the likely tax treatment of such payments and consider taking professional advice in respect of the same.

Investment in Cherry Godfrey Consumer Funding II Limited is not a deposit.

Investment in Cherry Godfrey Consumer Funding II Limited does not fall within the scope of the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and accordingly any loss of investment in Cherry Godfrey Consumer Funding II Limited is not eligible for compensation under that Ordinance.

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DIRECTORS AND ADVISERS TO THE ISSUER

Directors

Mr. David Cherry
Mr. David Barrow
No. 1 Fountain Street
St. Peter Port
Guernsey
GY1 4AQ

Registered Office

No. 1 Fountain Street
St. Peter Port
Guernsey
GY1 4AQ

Auditors to the Issuer

BDO Limited
P.O. Box 180
Rue du Pré
St. Peter Port
Guernsey
GY1 3LL

Legal Advisors

Babbé
P.O. Box 69
18-20 Smith Street
St. Peter Port
Guernsey
GY1 4BL

Bankers to the Issuer

Lloyds TSB Offshore Limited
Sarnia House
Le Truchot
St. Peter Port
GY1 4EF

Loan Note Trustee

JTC Fund Solutions (Guernsey) Limited
Dorey Court
Admiral Park
St. Peter Port
Guernsey
GY1 2HT

Escrow Agent

JTC Fund Solutions (Guernsey) Limited

Dorey Court

Admiral Park

St. Peter Port

Guernsey

GY1 2HT

(or such other person as may be named on
the Application Form).

SUMMARY

The following summary should be read as an introduction to this Private Placing Memorandum. Any investment decision should be made only after due and careful consideration of all the information contained in this document and, where necessary, having received professional advice from an appropriate authorised person.

THE ISSUER

The Issuer was incorporated, in Guernsey, on 27th April 2012 under the Law as a non-cellular company limited by shares and registered with company number 55039.

THE PLACING

Pursuant to a resolution of the Board dated 7th May 2013, the Issuer has approved the placing of loan notes in a principal amount of up to £30,000,000 pursuant to the terms and conditions of the Placing described more fully in Part III.

SUMMARY OF THE TERMS AND CONDITIONS OF THE LOAN NOTES

The Loan Notes will be constituted by the Loan Note Instrument. The Loan Notes are subject to the terms and conditions contained in Part VIII of this Private Placing Memorandum.

USE OF PROCEEDS

The Placing is expected to raise up to £30,000,000. The proceeds of the Placing will be used to make one or more advances to Cherry Godfrey Finance Limited, which will be used to finance fixed term loans to its customers, as more particularly described in Part III.

PART I

DEFINITIONS

Applicant	a person who submits an Application Form to the Issuer and advances the Subscription Monies into the Escrow Account.
Application Form	the application form attached to this Private Placing Memorandum.
Articles	means the articles of incorporation of the Issuer.
Board	means the Board of Directors of the Issuer.
Business Day	means any day except a Saturday, Sunday or public holiday in Guernsey.
CGFL	Cherry Godfrey Finance Limited.
Cherry Godfrey	means Cherry Godfrey Finance II Limited or, as the context may require, any member of the Cherry Godfrey Group.
Cherry Godfrey Group	means Cherry Godfrey Holdings Limited and its subsidiaries.
Cherry Godfrey Holdings Limited	a non-cellular company limited by shares registered in Guernsey (Company number 43447) whose registered office is at No. 1, Fountain Street, St. Peter Port, Guernsey, GY1 4AQ.
Coupon	means the interest payable on the Loan Notes as described in the Loan Note instrument, and as described in more detail in Section 1 of Part IV of this Private Placement Memorandum.
Customer	any Customer of CGFL.
Customer Loans	means loans made or to be made by CGFL to Customers.
Directors	the directors of the Issuer.
Escrow Account	the escrow account to be provided by the Escrow Agent.
Escrow Release Date	in relation to a subscription for a Loan Note, the date on which any condition to subscription for the Loan Notes set out in this Private Placing Memorandum or the Loan Note Instrument has been satisfied.
Final Repayment Date	in respect of any Loan Note, means the ninth anniversary of the Release Date applicable to that Loan Note.
GFSC	means the Guernsey Financial Services Commission.
HMRC	means Her Majesty's Revenue and Customs.

Issuer	Cherry Godfrey Consumer Funding II Limited, a non-cellular company limited by shares registered in Guernsey (company number 55039) whose registered office is No. 1 Fountain Street, St Peter Port, Guernsey, GY1 4AQ.
Law	The Companies (Guernsey) Law, 2008 (as amended).
Loan Facility	means a loan facility whereby the Issuer will lend the Placing Proceeds to CGFL to be utilised by CGFL to advance Customer Loans.
Loan Notes	the secured loan notes created by the Issuer under the Loan Note Instrument.
Loan Note Instrument	the instrument creating the Loan Notes a copy of which is attached to this Private Placing Memorandum in Part VIII.
Memorandum	means the memorandum of incorporation of the Issuer.
Noteholders	persons who acquire Loan Notes as a result of the Placing.
Placing	means the placing of all, or some, of the Loan Notes pursuant to this Private Placing Memorandum and the Application Form.
Placing Date	the date on which the Placing Proceeds are released from the Escrow Account to the Issuer.
Placing Proceeds	means the aggregate of the Subscription Monies (excluding any of the latter returned or due to be returned to Applicants).
Release Date	the date on which the Subscription Monies for the relevant Loan Note are released from the Escrow Account (whether in whole or in part).
Register	the register of Loan Notes and Noteholders required to be maintained by the Issuer under the Loan Note Instrument.
Security Interest Agreements	means a security interest agreement to be provided by (i) CGFL in favour of the Trustee creating a security interest over the receivables payable under the Customer Loans fund from the Placing Proceeds and, subject to the laws of each of the jurisdictions governing the same; and (ii) by the Issuer over the benefit of the Loan Agreement over unutilised funds lent to CGFL by the Issuer.
Subscription Monies	means, in relation to each Applicant, the monies paid by the same in order to subscribe for the Loan Notes specified in the Application Form delivered to the Company by the Applicant.
Trustee	means JTC Fund Solutions (Guernsey) Limited.
UK	means the United Kingdom.

PART II
PLACING STATISTICS

Minimum Placing Price	£50,000 (and in multiples of £1,000 thereafter)
Number of Loan Notes to be issued	up to 30,000 at any one time
Estimated net proceeds of the Placing at the Placing Price	up to £30,000,000

PART III

THE ISSUER AND REASONS FOR THE PLACING

1. INTRODUCTION

The Issuer will issue the Loan Notes in order to raise up to £30,000,000 which will be used to make loans to CGFL, under the Loan Facility, for the purpose of funding a diversified portfolio of Customer Loans by CGFL.

This Loan Note issuance is intended to raise up to £30,000,000. The Loan Notes will have a life of 9 years with breakout points at years 3 and 6 and will earn interest payable monthly, quarterly or annually at a fixed rate or at a margin over the Bank of England base rate (whichever is higher). The fixed rate will be 6% for annual payments, 5.75% for quarterly payments and 5.50% for monthly payments. The margin will be 3% for annual payments, 2.75% for quarterly payments and 2.50% for monthly payments.

Interest payments from CGFL to the Issuer will be used to pay the operational expenses of the Company together with the Coupon on the Loan Notes. The capital repayment of loans under the Loan Facility will be used to create further advances under the Loan Facility, and for repayment of the capital sum of the Loan Notes. CGFL will be using the loans under the Loan Facility to provide Customer Loans to Customers. Any funds loaned by the Issuer to CGFL and not utilised from time to time in the making of Customer Loans will be held in a separately designated bank account. CGFL will provide a security interest over the Customer Loans originated utilising the Placing Proceeds and the bank account containing unused Placing Proceeds and receipts generated by the Customer Loans in favour of the Trustee. The Trustee will act as trustee of that security for the Noteholders.

2. THE ISSUER

The Issuer is a non-cellular company limited by shares incorporated in Guernsey on 27th April 2012. The Issuer will operate as a trading company in respect of the loans to CGFL.

3. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the Issuer will comply with the Guernsey Code of Corporate Governance.

4. BUSINESS OVERVIEW OF THE ISSUER

(i) The Business

The Issuer is a trading company whose sole business will be the making of advances under the Loan Facility.

(ii) Background

The Cherry Godfrey Group has been providing Customer funding, mortgages and insurance products in the Channel Islands for the past two decades and has grown to become one of the largest independent, pan Channel Island, provider of these services.

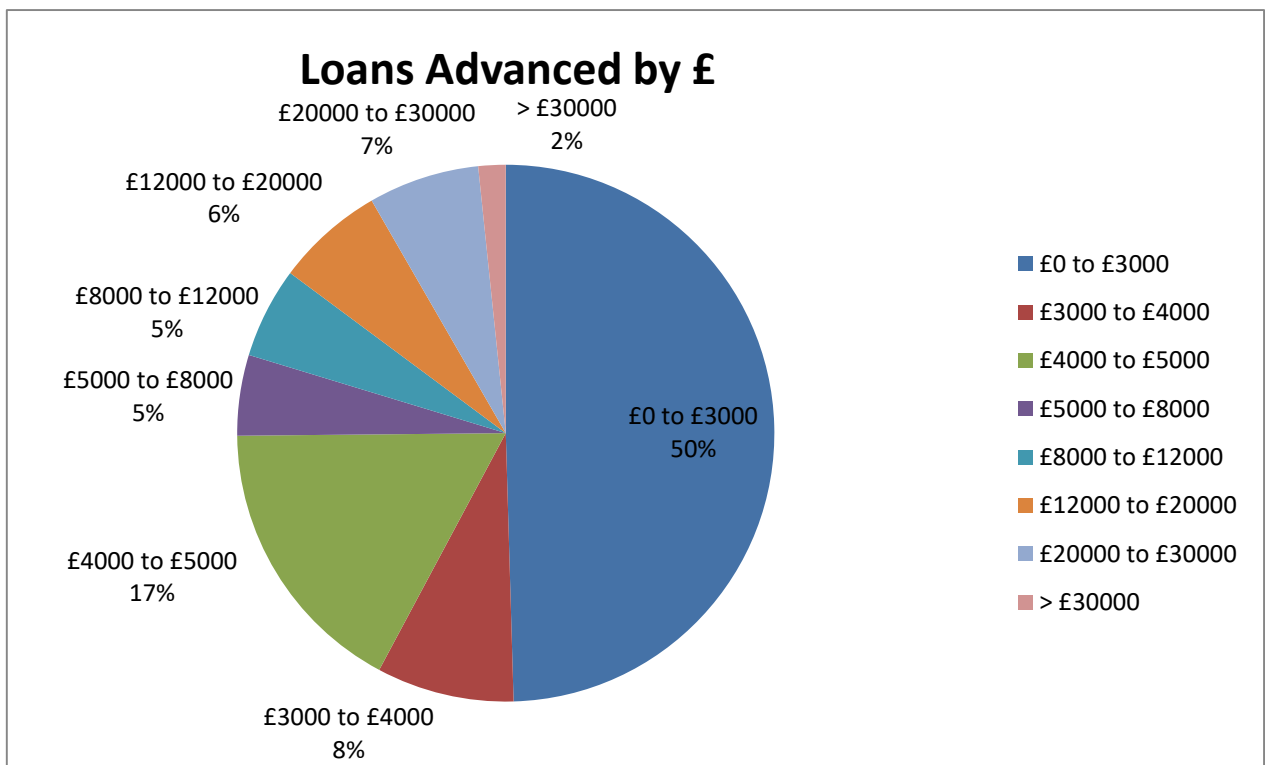
The Cherry Godfrey Group:

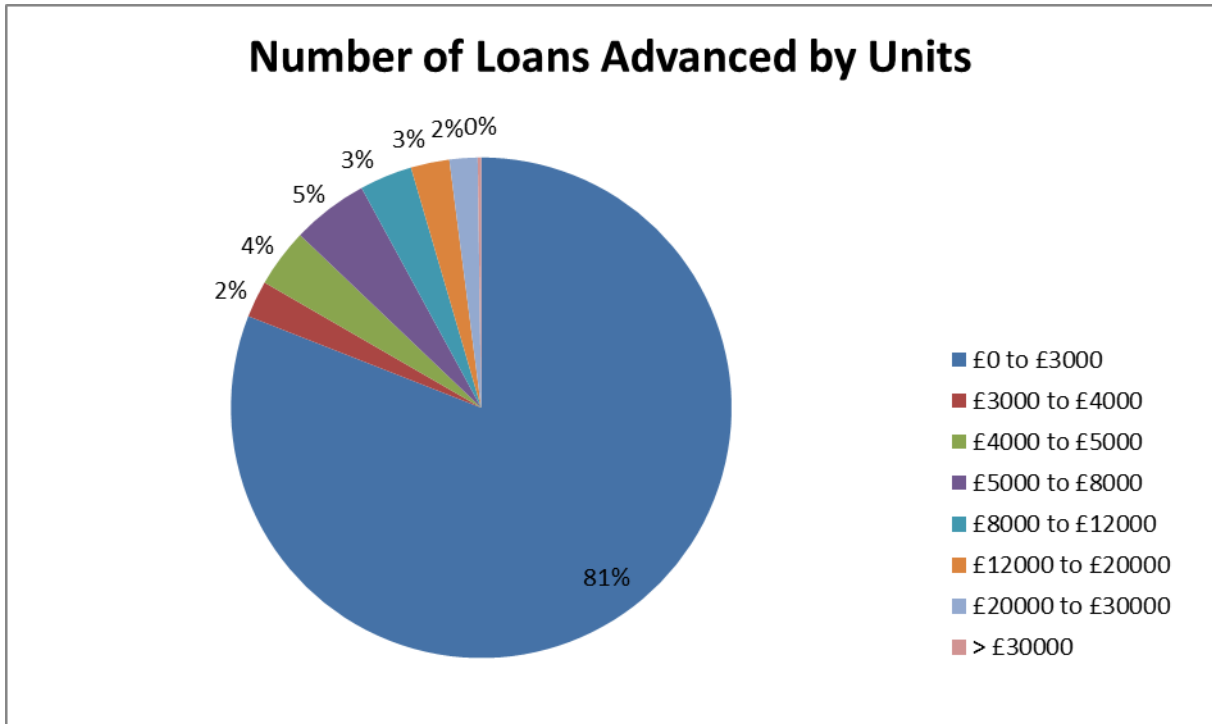
- (a) benefits from a large active database of clients utilising one or more of these product groups.
- (b) has invested significant resources in developing a unique route to market as a result of its own sales and marketing and by relationships with state, corporate and other trading partners who promote Cherry Godfrey services and products alongside their own.
- (c) has operated a long term agency agreement with our current funders (the “**Agency Agreement**”) for the provision of finance for its Customer lending activities.

The Cherry Godfrey Group may seek alternative funding for the loans it advances. These loans typically comprise of amounts of circa £5,500 over an average term of 31 months. Assuming a £30,000,000 portfolio, it is anticipated that the loan portfolio might comprise circa 5,500 individual loan agreements.

The historic bad debt profile of the portfolio generated from these estimates over a ten year period has been maintained at an average loss rate of 1.35% (provided by actuarial specialist BWC Ltd).

Analysis of Loans written in 2012.





Advances of Customer Loans will be made under the terms of an existing comprehensive underwriting procedure which has been developed over a number of years and which has been instrumental in the low level of Bad Debt experienced. Cherry Godfrey operate reciprocal agreements with both CI and UK credit reference organisations enabling detailed data sharing of positive and derogatory credit history and client exposure records which are utilised in the underwriting process.

All Isle of Man business written will be restricted to Insurance Premium Funding and vendor Introduced clients only.

CURRENT CONSUMER PORTFOLIO

Cherry Godfrey manages a current loan portfolio of circa £25m; this portfolio has experienced bad debt levels of circa 1.35%, significantly below the historical UK average.

An actuarial review of all loan business written by Cherry Godfrey covering the period from 2000 to 2009 was carried out by BWCI Ltd which demonstrates bad debt at 1.35% of loans made during that period. Cherry Godfrey's accounts, post 2009, have shown little deviation from the 1.35% bad debt ratio. Cherry Godfrey is not currently aware of any factors that would indicate any likely deterioration in its historically low level of bad debt.

Monitoring of Bad Debt is undertaken by daily reporting and verified by the production of system generated reports.

Average bad debt values throughout 2012 have been maintained at 1.27%.

Cherry Godfrey ascribes its low bad debt levels to four principal factors;

- 1) Expertise in identifying suitable loan customers, many customers are well known to Cherry Godfrey and have previously borrowed on a regular basis.

- 2) Sophisticated intelligence based upon historical records and public financial records.
- 3) Loans are well diversified and avoid significant exposure to related borrowers using prudent underwriting criteria.
- 4) When compared to UK data, the Channel Islands and Isle of Man enjoy low rates of unemployment together with above average levels of remuneration with a significant percentage of residents being employed within well diversified finance, administrative and insurance based industries.

Cherry Godfrey is a reciprocal provider of client data to UK and CI credit reference agencies, in addition, a sophisticated database of historical data is maintained which ensures that appropriate underwriting is applied.

Thorough understanding of local law and credit control procedures related to the maintenance of consumer and mortgage facilities helps to ensure the long term security of loan portfolios.

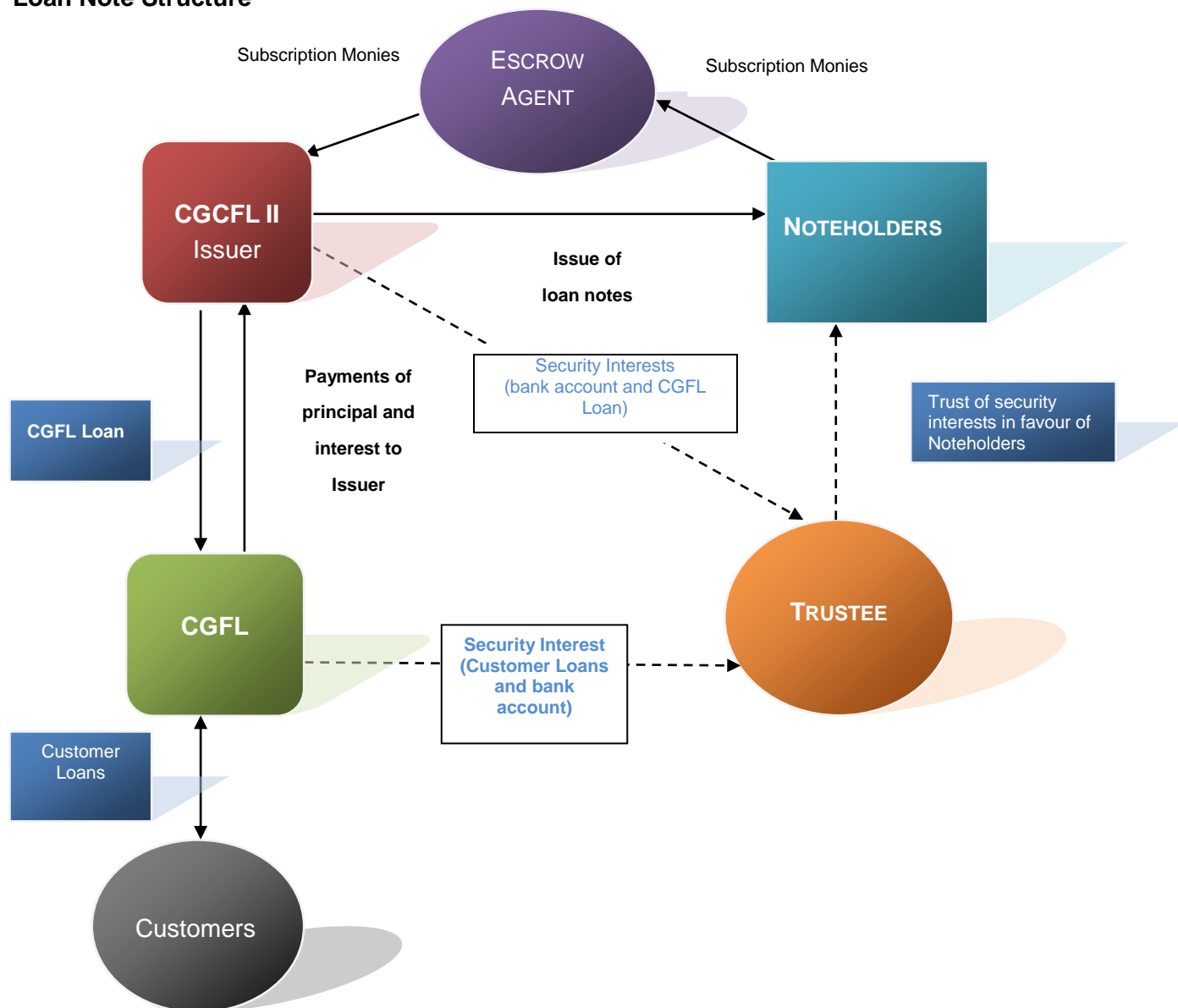
Reasons for Fundraising

The Placing will allow the Issuer to make advances under the Loan Facility to CGFL, which CGFL will in turn use to make Customer Loans. The Issuer will thereby receive interest and capital payments from CGFL allowing it to pay the Coupon together with repayments of capital.

As set out in the diagram below, the Issuer will:

- Issue Loan Notes up to the value of £30,000,000 with a minimum investment of £50,000.
- Enter into a loan agreement with CGFL which will use the funding to make consumer loans of the profile described above.
- Interest will be payable on the Loan Notes monthly, quarterly or annually, as selected by the relevant Noteholder. The rate of interest on the Loan Notes will vary dependent upon the payment period selected, as described on page 17.
- Security of assets will be provided through the appointment of an independent trustee to hold all the individual consumer loans written by Cherry Godfrey Finance Ltd under a Declaration of Trust. These loans will be separately designated from any other loans made by CGFL. Any funds loaned by the Issuer to CGFL and not utilised from time to time in the making of loans to customers will be held in a separately designated bank account which will also be held under the Security Interest Agreement.
- Verification of the loans held under the Security Interest Agreement Trust will be carried out by an independent auditor on behalf of the Issuer at 3 monthly intervals.

Loan Note Structure



SECURITY

A Loan Facility will be made available by the Issuer to CGFL under which the Issuer will lend the proceeds raised from the Loan Notes to CGFL. These funds will be used exclusively for Customer Loans as described above and be monitored by the Issuer's auditor.

Security interest agreements will be entered into creating security over the loans to CGFL and by CGFL to customers and the segregated bank accounts in favour of the Loan Note Trustee for the benefit of the Loan Note Holders.

Under the terms of the Security Interest Agreements there will be a number of default triggers. If a default occurs the Loan Note Trustee may take possession of the loans and the designated bank account and these assets will be held for the exclusive benefit of the Issuer Loan Note holders.

The events of default will include:

- 1) CGFL or the Issuer becoming insolvent, being declared en désastre or ceasing to trade.
- 2) The Issuer failing to pay the coupon when due (except as a result of error or the failure of any payment system used to make payment).

INVESTMENT RETURN

Returns on the Loan Notes will be based upon the sum of the Subscription Monies released from the Escrow Account, whether fully utilised or not.

Consumer Loans to the customers of CGFL will earn interest at circa 14%.

This will provide for:

- Loan Note Coupon payments 6.00%¹ per annum
- Anticipated bad debt of circa 1.35%
- Running costs of the Issuer 0.50%
- CGFL margin 6.15%

REPAYMENT OF LOAN NOTE

Each Loan Note will be repayable on the Final Repayment Date for the relevant Loan Note, if not repaid earlier, as set out below.

Repayment may be required by Loan Note Holders at each third anniversary and will be permitted subject to a minimum of 6 months prior notice being provided to the Issuer.

The Loan Notes will be transferable.

The Issuer will have the right to repay a Loan Note in full (including any outstanding Coupon) at any time after the expiry of 24 months after the relevant Escrow Release Date.

5. THE DIRECTORS

The Directors of the Issuer are as follows:

(a) *David Cherry*

Mr David Cherry is aged 56 and was appointed Director of the Issuer on incorporation.

¹ Assuming that Bank of England Base Rate is below 3% and all Loan Notes have annual interest payments.

David Cherry was born in Guernsey in 1956 and lives in Guernsey.

Background:

- 1984-1991 Director of the Associates Capital Corporation, responsible for Branch Operations in Bristol, Exeter and Jersey.
- 1991-1993 Managing Director of The Associates Capital (Guernsey) Limited.
- 1991 Married Selena Cherry (née Godfrey).
- 1993 Founded Cherry Godfrey. Current position: Group Managing Director.

(b) **David Barrow**

Mr David Barrow is aged 55 was appointed Director of the Issuer on incorporation.

Mr David Barrow was born in 1957 and lives in Guernsey.

Background:

Originally trained as an engineer qualifying in 1979 and became a director of the UK company prior to moving to Guernsey in 1983.

Qualified as a self employed IFA in 1991.

- 1994 Associates Capital (Guernsey) Limited – Director with overall responsibility for the management of Guernsey Branch Operations.
- 1997 Cherry Godfrey Finance as Director with responsibility for the development of operational systems and IT infrastructure.

6. GROUP STRUCTURE

The Issuer is a non-cellular company, limited by shares, incorporated in Guernsey on 27th April 2012. The Issuer will operate as a trading company in respect of the Loan Facility.

The entire issued share capital of the Issuer is owned by Cherry Godfrey Holdings Limited, of which company Mr. Cherry and his immediate family hold 72% of the issued share capital and Mr. David Barrow and his immediate family hold 24% of the issued share capital.

7. THE OPERATING COMPANY

CGFL was incorporated in 1993 with a primary role as a Finance Broker. Having been responsible for the provision of a significant percentage of new business introduced to Equipment Rental Finance, a company under the ownership of Great Universal Stores, CGFL was invited to undertake responsibility for the operation of their Guernsey branch under an agency agreement.

The sustained growth of the Cherry Godfrey business has been achieved by the addition of a direct lending operation and the acquisition of four insurance based intermediary and brokerage businesses.

Today, the business has evolved into a fully rounded financial services company offering a suite of products designed or sourced to meet with the needs of Channel Island consumers.

Main product lines are:

- (a) Consumer and corporate finance; retail funding; general insurance products, commercial lines insurance products; and mortgage products.
- (b) Offices are maintained in both Guernsey and Jersey. In addition, our products are available through a network of corporate alliances and a supporting dealer network.
- (c) We pride ourselves in offering well researched and good value for money products with repeat business and client retention being maintained through quality customer service.

PART IV

TERMS OF THE PLACING

THE PLACING

The Issuer proposes to raise up to £30,000,000 (before expenses) by the issue of up to £30,000,000, in nominal value, of Loan Notes at the Placing Price. The issue of the Loan Notes were authorised by a resolution of the Board dated 7th May 2013. The Loan Note Instrument constituting the Loan Notes is governed by Guernsey law.

The maximum amount to be raised pursuant to the Placing is £30,000,000. The Issuer may issue further Loan Notes of total value of up to the maximum amount at any time.

Applications for Loan Notes must be for a minimum of £50,000 and above that in multiples of £1,000.

The Issuer may close and re-open the Placing from time to time in its discretion. Applications and moneys received from Applicants during a period when the Placing is closed shall be returned to Applicants.

Moneys received from Applicants under the Placing will be held in an escrow account to be provided by the Escrow Agent, on the terms of an escrow agreement between the Issuer and the Escrow Agent. The condition for release from the Escrow Account shall be that:

- (i) receipt of satisfactory documentation required to identify the beneficial owner of the Subscription Monies;
- (ii) the creation of the security for the Loan Notes described in Part III; and
- (iii) the Directors have instructed the Escrow Agent to release the Subscription Monies to it.

If the maximum amount is exceeded or the Directors consider that the amount of applications exceeds current requirements for the Loan Facility, applications will be scaled back and excess funds will be returned to Noteholders at their risk without interest. Subject to the satisfaction of the requirements of the Loan Note Instrument, the Issuer shall enter the name of each Applicant and the number of Loan Notes subscribed for by that Applicant into the Note Register on the Escrow Release Date and deliver a copy of the Register to the Note Trustee.

All Loan Notes will be in physical form and will be delivered to the relevant Noteholder. Pending the dispatch of the Loan Note certificates transfers will be recorded in the Note Register.

THE LOAN NOTES

A summary of the rights and conditions attached to the Loan Notes is set out below and a copy of the Loan Note Instrument is attached.

1. **Interest Rate**

The Loan Notes shall bear interest at rates determined by whether an Applicant Noteholder selects annual, quarterly or monthly interest on applying for the Loan Notes. Interest shall be payable as follows:

- (i) if an Applicant selects annual interest, at the higher of 6% per annum or 3% over the Bank of England Base Rate;
- (ii) if an Applicant selects interest to be payable quarterly, at the higher of 5.75% per annum or 2.75% over the Bank of England Base Rate; or
- (iii) if an Applicant selects interest to be payable monthly, at the higher of 5.50% per annum or 2.50% over the Bank of England Base Rate.

2. **Interest Payment**

Interest shall accrue daily and will be due respectively on:

- (i) 31st December in each year if interest is payable annually;
- (ii) the last day of the quarter in which a Loan Note is issued if interest is payable quarterly; and
- (iii) the last day of the month in which a Loan Note is issued if interest is payable monthly,

and shall be paid not later than the fifth Business Day next following the date on which it falls due. Interest shall be calculated on the assumption that each calendar month consists of 30 days and on the basis of (i) the number of days expired in a calendar month up to a maximum of 30; and (ii) a 360 day year.

3. **Capital Repayment**

Each Loan Note will be redeemed in full on the Final Repayment Date for that Loan Note by payment of the principal amount of the Loan Notes together with any interest accrued on them. Noteholders will have an option to require earlier repayment of the Loan Notes on each third anniversary of the Escrow Release Date subject to providing six months' notice of their requirement to that effect. If any day on which repayment is otherwise due is not a Business Day, the payment shall become payable on the next succeeding Business Day.

4. **Transferability**

The Loan Notes are transferable (provided that the transferee is a person who would be entitled to subscribe for Loan Notes) and has satisfied any requirements of the Loan Note Instrument on transfer.

5. **Loan Note Holders**

The holders of Loan Notes may give consent under the conditions attaching to, or elect to vary the terms of, the Loan Notes by special resolution. Resolutions may be passed at duly convened meetings of the holders of the Loan Notes by a show of hands or on a poll in the numbers set out in the Loan Note Instrument.

6. **Escrow Agent**

Subscription payments will be held by the Escrow Agent pending receipt of subscription with an aggregate value equal to, or more than £50,000, completion of satisfactory due diligence. and the creation of the security for the Loan Notes, at which point the subscription monies will be released to the Issuer (subject to the exercise of the Issuer's absolute discretion to reject applications in whole or in part, in which case the relevant subscription monies will be returned to the relevant applicants).

The Escrow Agent will not release the subscription amounts unless instructed to do so by the Issuer. If subscription payments in the amount described above and/or that instruction shall not have been received on or before the date falling 6 months after the date on which those monies were paid into the Escrow Account by the Applicant, subscription payments will be returned to that Applicant.

7. **Tax**

Noteholders may be subject to tax on the interest received, depending on their tax residence.

PART V

RISK FACTORS

The investment opportunity offered in this Private Placing Memorandum may not be suitable for all recipients of it. Recipients are therefore strongly recommended to consult an investment adviser who specialises in investments of this nature before making their decision to invest.

Recipients should be aware of the risks associated with acquiring Loan Notes. The Directors consider the following risks and other factors to be the most significant for potential Noteholders at the date of this Private Placing Memorandum; however the risks listed below do not necessarily comprise all those associated with an acquisition of the Loan Notes and are not set out in a particular order of priority. Additional risk and uncertainties not currently known to the Directors or that the Directors consider to be immaterial at the date of this Private Placing Memorandum may also have an adverse effect on the Issuer's business. Recipients should carefully consider these risks, read this Private Placing Memorandum in its entirety and consult with their advisers before making a decision to acquire Loan Notes. This summary of risk factors is not intended to be exhaustive. **THE LOAN NOTES**

- (i) The acquisition of the Loan Notes may involve substantial risks and are suitable only for persons who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Loan Notes. Prior to making a decision to acquire Loan Notes, prospective Applicants should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth in this document, the Application Form and the Loan Note Instrument. Prospective Applicants should make such enquiries as they deem necessary without relying on the Issuer.
- (ii) There can be no assurance that there will be a market or liquidity in respect of the Loan Notes. Accordingly, the purchase of Loan Notes is suitable only for Noteholders who can bear the risks associated with a lack of liquidity in the Loan Notes. Noteholders must be prepared to hold the Loan Notes for an indefinite period of time or until repayment of the Notes.
- (iii) Neither the Issuer (or its legal advisors) or any of its respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Loan Notes by a prospective purchaser of the Loan Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by the prospective purchaser with any law, regulation or regulatory policy applicable to it.

FORWARD LOOKING STATEMENTS

This Private Placing Memorandum contains forward-looking statements, including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will" and "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results of operations, performance or achievement of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Important factors that could cause these differences include, but are not limited to:

- changes in economic conditions generally and their input on the Issuer's ability to achieve its financial targets;
- changes in assumptions made by the Directors in arriving at the Issuer's target return;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Issuer.

NO TRADING HISTORY

The Issuer has not yet commenced operations. The Issuer does not have any operating history, historic financial statements or other meaningful operating or financial data, with which Investors may evaluate the Issuer. The Issuer is subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that the Issuer will not achieve its commercial objectives and therefore be unable to pay the Coupon and/or effect repayment of capital on the Maturity Date.

CHANGES IN LAW OR REGULATIONS

Any change in the laws and regulations affecting the Issuer or any changes in applicable laws and regulations generally may have an adverse effect on the ability of the Issuer to carry on its businesses.

For regulatory, tax and other purposes, the Issuer and the Loan Notes may not be treated in a similar way in different jurisdictions. In certain jurisdictions, the treatment of the Issuer and/or the Loan Notes may be uncertain or subject to change or it may differ depending on the availability of certain information or disclosure by the Issuer of that information. The Issuer may be subject, therefore, to financially and logistically onerous requirements to disclose any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain jurisdictions. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact Noteholders in those jurisdictions.

NO PETITION

Save to the extent that any relevant legislation provides otherwise, no recourse under any obligation, covenant or agreement of the Issuer contained in the Loan Note Instrument may be had against any shareholder, officer or director of the Issuer as such, by virtue of statute or otherwise. Any and all personal liability of every such shareholder, officer or director for breaches by the Issuer of any such obligations, covenants or agreements either at law or by statute or constitution has, to the fullest extent possible at law, been waived.

RISK OF EARLY REPAYMENT

The Loan Notes will be repaid on the Maturity Date. The Issuer retains the right to redeem any Loan Notes in full (including any outstanding Coupon) at any time after 24 months have expired since the relevant Escrow Release Date. If the Issuer repays Loan Notes prior to their Maturity Date an Investor will, as a result of that early repayment, receive less interest than would have been the case had repayment been made on the Maturity Date.

ABSENCE OF REGULATION

The Issuer is not, and will not be, regulated by the GFSC or any other securities or governmental authority. Accordingly, the benefit of such regulation is not, and will not be, applicable to the Issuer or available to Noteholders. The GFSC has not authorised this document or the Loan Note Instrument and does not accept any responsibility for the financial soundness of the Issuer or for the accuracy of any of the statements made or opinions expressed herein.

Investment in Cherry Godfrey Consumer Funding II Limited is not a deposit.

Investment in Cherry Godfrey Consumer Funding II Limited does not fall within the scope of the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and accordingly any loss of investment in Cherry Godfrey Consumer Funding II Limited is not eligible for compensation under that Ordinance.

GUERNSEY LAW

The Issuer is a limited liability company incorporated under the Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that Noteholders may expect to find in relation to a public company under UK law are not provided for under Guernsey law.

PART VI

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names, functions and addresses appear on page 3 of this document, and the Issuer, accept full responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Issuer (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the impact of such information.

2. THE ISSUER

- 2.1 The Issuer was incorporated on 27th April 2012 under the Law and is registered in Guernsey with company number 55039.
- 2.2 The registered office and principal place of business of the Issuer is No. 1 Fountain Street, St. Peter Port, Guernsey GY1 4AQ.
- 2.3 The Issuer is not regulated by the GFSC, the FSA or an equivalent UK regulator.

3. DIRECTORS AND OTHERS

- 3.1 The Issuer is managed by its board of Directors. The board of Directors is composed of at least two directors. There are no statutory provisions regarding the nationality or domicile of Board members.
- 3.2 As at the date of this Private Placing Memorandum, the following have been elected to the board of Directors of the Issuer:
 - Mr. David Cherry.
 - Mr. David Barrow.
- 3.3 The business address for the above Directors is the same as the registered office of the Issuer.
- 3.4 There are no perceived conflicts of interest between any duties of the Issuer of the Directors and their private interests and/or duties, although the Directors (together with their immediate families) are the ultimate beneficial owners of the majority of the issued share capital of the Issuer.
- 3.5 The Issuer has no employees.

4. MEMORANDUM AND ARTICLES

The memorandum of incorporation the Issuer provides that the Issuer's principal object is unrestricted.

5. **AUTHORISATIONS**

The issue of the Loan Notes was authorised by the board of Directors of the Issuer on 7th May 2013. The Issuer has obtained, or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Loan Notes.

6. **LITIGATION**

Since its incorporation there has been no litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Loan Notes.

7. **NO MATERIAL ADVERSE CHANGE**

Since its incorporation there has been no material adverse change in the financial or trading position of the Issuer.

8. **FINANCIAL INFORMATION**

8.1 BDO has been the only auditor of the Issuer since its incorporation. The annual reports and accounts will be prepared in accordance with to IFRS/UK GAAP.

8.2 The Issuer's accounting period ends on 31st January.

8.3 The Issuer has not commenced trading since its incorporation on 27th April 2012 and no financial statements of the Issuer have been made at the date of this Private Placing Memorandum.

8.4 The Issuer intends to raise up to £30,000,000 through the Placing. The Issuer will not proceed with the Placing if the net proceeds of the Placing are less than £50,000.

9. **DOCUMENTS AVAILABLE FOR INSPECTION**

For so long any Loan Notes shall be outstanding, copies of the following documents may be inspected at the registered office of the Issuer, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (i) the Memorandum and Articles of the Issuer;
- (ii) this Private Placing Memorandum (including the attached Application Form and Loan Note); and
- (iii) the audited annual financial statements of the Issuer.

PART VII

PROCEDURE FOR APPLICATION

The following should be read in conjunction with the Application Form.

1. Insert in the first space provided (in figures) in paragraph 1 the amount that you would like to subscribe. Applications must be for a minimum of £50,000 and, in excess of that be in multiples of £1,000. You should also select your preferred interest period (annual, monthly or quarterly) by checking the appropriate box.
2. Insert your full name (no initials please), address and contact details in BLOCK CAPITALS in the space provided in paragraph 8.
3. Date and sign the Application Form in the space provided in paragraph 10 of the Application Form. The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant) if duly authorised to do so, but the power(s) of attorney or a duly certified copy thereof must be enclosed for inspection.
4. Attach a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be payable to the Escrow Agent as detailed on the Application Form for the amount payable on application identified in your application form and should be crossed "A/C Payee". Should you wish to make payment electronically please make any payment in accordance with the details set out in the Application Form:
5. Acknowledgments of acceptance of Noteholders' applications and confirmation of final allocations, together with the total subscription amount payable to the Issuer by telegraphic transfer or such other means as shall be agreed by the Issuer, will be dispatched as soon as reasonably practicable and shall be subject to the final decision of the Directors to issue the Loan Notes. Payment to the Issuer of the subscription monies shall be made following the issue of the Loan Notes.
6. In each case the cheque for the amount payable on application must be drawn in pounds sterling. An application may be accepted by the Issuer (either in whole or in part) immediately upon the Board passing a resolution allotting the Loan Notes to the applicant(s) (subject to satisfaction of the conditions for release of the monies from the Escrow Account). If any application is not accepted the amount paid will be returned without interest by cheque sent by post at the risk of the applicant(s). The Issuer reserves the right to:
 - present all cheques for payment and to retain Loan Note certificates and surplus application monies pending clearance of applicants' cheques;
 - reject any application or to accept any application in part only on any basis it sees fit; and
 - accept an application not complying with the requirements specified in these notes or in the Application Form.
7. All cheques, certificates and other documents will be dispatched by post at the risk of the person(s) entitled to them.

8. You may apply jointly with one other person. You must then arrange for the Application Form to be completed by, or on behalf of, the joint applicant. Their full name, address and contact details should be inserted in BLOCK CAPITALS in the space provided in paragraph 8 and signature in paragraph 10. If anyone is signing on behalf of the joint applicant, the power of attorney or a duly certified copy must be enclosed for inspection.
9. You must send your completed Application Form by post to:

Cherry Godfrey Consumer Funding II Limited
No. 1 Fountain Street
St. Peter Port
Guernsey
GY1 4AQ

so as to be received not later than 4.30 p.m. on 5th June 2022 (unless extended by the Directors).
10. On posting your Application Form, you are recommended to use first-class post and allow at least two Business Days for delivery.
11. The Application Form must be accompanied by the documents specified therein.

Private placing by Cherry Godfrey Consumer Funding II Limited (the “Issuer”) of up to £30,000,000 nominal value secured loan notes (“Loan Notes”), (“Placing”).

Before making any application you are recommended to consult an independent financial adviser.

This Application Form should be read in conjunction with the private placing memorandum issued by the Issuer dated 6th June 2013 (“Private Placing Memorandum”) to which the Loan Note Instrument is attached.

APPLICATION FORM

You must send your completed Application Form and the relevant Due Diligence Questionnaire by post to Cherry Godfrey Consumer Funding II Limited, No. 1 Fountain Street, St. Peter Port, Guernsey GY1 4AQ to arrive no later than 4pm on 5th June 2022, accompanied by:

(a) for the proposed registered holder if a corporate entity:

- a certified copy of its register of members and, if any member holds more than 5% of the issued share capital of that company, such additional documentation as may be agreed with the Issuer.
- a certified copy of the Certificate of Incorporation and Memorandum and Articles of Association/Incorporation; and
- a certified copy of a current authorised signatory list.

(b) for the proposed registered holder or beneficial owner is an individual (including the beneficiary of any trust of which the registered holder is a trustee):

- a certified copy of a current valid passport (specifically showing the pages showing personal details, signature and photograph); and
- an original or certified copy of a utility bill confirming the residential address, please note this should be no more than 3 months old.

(c) for the directors/partners of the proposed registered holder if a corporate entity:

- a certified copy of a current valid passport (specifically the pages showing the personal details, signature and photograph); and
- an original or certified copy of a utility bill confirming the residential address. Please note that this should be no more than three months old.

The subscription list will open at 11.00 a.m. on 6th June 2013 and may be closed any time after that or when the Placing is fully subscribed, but in any event not later than 4.30 p.m. on 5th June 2022, unless extended by the Directors.

Terms defined in the Private Placing Memorandum issued by the Issuer on 6th June 2013 shall have the same meaning in this Application Form.

The terms in the Procedure for Application in the Private Placing Memorandum shall be treated as part of this Application Form and binding on Noteholders accordingly.

I/We offer irrevocably to subscribe for £_____ of Loan Notes (being a minimum of £50,000 and any excess being in multiples of £1,000) in respect of which this application may be accepted on the terms of and subject to the conditions of the Placing. I/We request that interest on the Loan Notes be payable:

- Annually at the higher of 6% per annum or 3% over the Bank of England Base Rate.
- Quarterly at the higher of 5.75% per annum or 2.75% over the Bank of England Base Rate .
- Monthly at the higher of 5.5% per annum or 2.50% over the Bank of England Base Rate.

1. I/We request that you send me/us a loan note certificate for the Loan Notes in respect of which this application may be accepted together with a cheque for any surplus money (without interest) by post at my/our risk to the address given below. I/We understand that the completion and delivery of the Application Form constitutes an undertaking that I/we will make payment into the Escrow Account identified in the Procedure for Application for the Loan Notes, of an amount up to the total shown in paragraph 1 above once confirmation of my/our final allocation and the subscription amount payable by me/us has been received by me/us and the conditions referred to in paragraph 1 above have been satisfied.
2. I/We confirm that I/we have read, accepted and understood the terms and conditions set out in the Private Placing Memorandum, that I/we have taken appropriate professional advice before submitting this Application Form and that I am/we are aware of the risks involved in investing in the Loan Notes subject to the Placing. I/We further confirm that I am/we are investing in the Issuer on the basis only of the information contained in the Private Placing Memorandum which supersedes all other information (whether written or oral) concerning the Issuer and the Loan Notes or otherwise prior to the date of the Private Placing Memorandum and any such other information or representations must not be relied upon in subscribing for Loan Notes.

For investments by pension schemes, Clause 3 applies to the Scheme Member only.

3. I/We:
 - agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with Guernsey law, and that I/we submit to the jurisdiction of the Guernsey courts and agree that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of, or in connection with, any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
 - irrevocably authorise the Issuer or any person authorised by the Issuer as its agent to do all things necessary to effect registration of any Loan Notes subscribed by, or issued to, me/us into my name/our names and authorise any representative of the Issuer to execute any document required therefor;

- agree that, having had the opportunity to read this Private Placing Memorandum, I/we shall be deemed to have had notice of all information and statements concerning the Issuer and the Loan Notes contained therein;
 - confirm that I/we have read reviewed the restrictions contained in paragraph 6 below and warrant that I am/we are not a “US Person” as defined in the United States Securities Act of 1933 (as amended) (the “Securities Act”), nor a resident of Canada and that I am/we are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
 - agree that all documents and cheques sent by post to, by or on behalf of, the Issuer will be sent at the risk of the person entitled thereto;
 - agree, on request by the Issuer, to disclose promptly in writing to the Issuer any information which the Issuer may reasonably request in connection with my/our application including, without limitation, satisfactory evidence of identity to ensure compliance with any applicable law or regulation and authorise the Issuer to disclose any information relating to my/our Application as it considers appropriate;
 - agree, on request by the Issuer, to disclose promptly in writing to the Issuer any information which the Issuer may reasonably request in connection with my/our application including without limitation, satisfactory evidence of identity to ensure compliance;
 - acknowledge that no steps have been taken to register, qualify or otherwise authorise the Placing or the distribution of the documents related to the Placing in any territory outside the United Kingdom; and
 - declare that the Application Form has been completed to the best of my/our knowledge.
4. No person receiving a copy of this document or an Application Form in any territory other than Guernsey and the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside Guernsey wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
5. The Loan Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States of America, its territories or possession or other areas subject to its jurisdiction (the “USA”). In addition, the Issuer has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No application will be accepted if it bears an address in the USA.

6. The basis of allocation will be determined by the Issuer in its absolute discretion. The right is reserved to reject in whole in part and/or scale down and/or ballot any Application Form or any part thereof including, without limitation, Application Forms in respect of which any verification of identity which the Issuer considers may be required for the purposes of any applicable legislation and regulations) has not been satisfactorily supplied. The Issuer shall not be obliged to scale back applications on a pro-rata or proportional basis.
7. In signing this Application, we agree that any monies paid to the Escrow Agent in respect of the Application shall be held by it as an escrow agent on the following terms and the Escrow Agent shall be entitled to:
 - (i) Release the monies to the Issuer upon completing such due diligence as is required to be completed by the Issuer and the Escrow Agent to satisfy its own internal procedures and ensure its compliance with the Guernsey anti-money laundering regulations and receiving confirmation that the total Applications exceeds the Placing Threshold and the instruction of the Issuer to do so; and
 - (ii) Repay those monies to the Applicant upon ceasing to act as escrow agent or upon being required to do so by any applicable law or legislation or if the conditions described in paragraph (i) above are not satisfied (subject to deduction of any fees or expenses as aforesaid) or, in the event that another person is instructed to act as escrow agent, transfer the monies to that person.

The Escrow Agent shall have no obligation to procure the payment of interest on the Funds or to account to us for the same (if any).

By signing this Application, the Applicant(s) acknowledges that the Escrow Agent shall not be liable to us for any loss or damage suffered by us except to the extent caused by the willful default, fraud or gross negligence of the Escrow Agent and that in any event, the liability of the Escrow Agent for the same shall be limited to an amount equal to the value of the monies. This agreement shall be subject to the laws of the Island of Guernsey and the courts of Guernsey shall have jurisdiction over any dispute arising in connection with the same.

8. Please register any Loan Notes allotted to me/us in my/our name(s):

Details	Please complete using BLOCK CAPITALS	Details of joint application, if applicable
Title (if individual)		
Full Name of individual (no initials) or full name of Corporate Trustee		
Full Address (including post code)		
Telephone		

Mobile Telephone		
Email		

9. I/We authorise the Directors of the Issuer and its advisers to contact me/us by telephone in connection with queries arising in connection with my/our Application Form.
10. Applicant Signature and Date:

Signature:	2 nd Signature:
Name:	2 nd Name:
Date:	Date:

11. Signature and Date of Scheme Member if application is through a Pension Scheme:

Signature:	2 nd Signature:
Name:	2 nd Name:
Date:	Date:

12. Attach a single cheque or banker's draft to this completed application form. Your cheque or banker's draft must be payable to:

13. "*JTC Fund Solutions (Guernsey) Limited re Cherry Godfrey No 2 Trust*" for the amount payable on application identified in your application form and should be crossed "a/c payee". Should you wish to make payment electronically, please make any payment in accordance with the following details:

Account Name:	JTC Fund Solutions (Guernsey) Limited re Cherry Godfrey No 2 Trust
Bank:	Barclays Bank, High Street, St. Peter Port, Guernsey
Account Number:	93922448
Sort Code:	20-35-32
IBAN:	GB90 BARC 2035 3293 9224 48
Swift Code:	BARCGB22

PART VIII
LOAN NOTE INSTRUMENT

CHERRY GODFREY CONSUMER FUNDING II LIMITED

Anti Money Laundering and Countering the Financing of Terrorism

CDD QUESTIONNAIRE

<u>Individual Applicant</u>	
Full Name (applicant 1)	
Date of Birth	
Nationality	
Passport Number	
Full Name (applicant 2)	
Date of Birth	
Nationality	
Passport Number	
Residential Address	
Verification of Address	Document type provided
Time at Current Address	
If less than three years please provide former addresses	

Corporate Applicant	
Trading Name	
Date of Incorporation	
Place of Incorporation	
Registered Number	
Registered Address	
Copy of Annual Validation	
Copy of Directors Passports	
Copy of Register of Members	
Copy of Shareholders Passports (where shareholding is in excess of 5%)	
Copy of Authorised Signatory List	

<u>Trust Company Applicant</u>	
Name of Trust	
Establishment Date	
Identifying Number	
Registered Address	
Verification of Address	
Persons Authorised to enter into a transaction on behalf of the trust	
Trustee Names	
Copy of Trustee Passport	
Beneficiary Names	
Copy of Beneficiary Passport	
Verification of Beneficiary Address	Document type provided

DATED

6TH JUNE 2013

LOAN NOTE INSTRUMENT

constituting

**UP TO £30,000,000 IN NOMINAL VALUE OF FLOATING RATE SECURED LOAN
NOTES 2013**

issued by

CHERRY GODFREY CONSUMER FUNDING II LIMITED

Babbé
Guernsey Advocates

**18 -20 Smith Street
St. Peter Port
Guernsey
GY1 4BL
Channel Islands**



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THIS INSTRUMENT is dated 6th June 2013

PARTY

CHERRY GODFREY CONSUMER FUNDING II LIMITED a non-cellular company limited by shares, incorporated with limited liability in Guernsey with company number 55039 whose registered office is at Number One, Fountain Street, St. Peter Port, Guernsey GY1 4AQ (**Company**).

BACKGROUND

The Company has, by resolution of its board of directors passed on 7th May 2013, unanimously resolved to create up to a maximum nominal amount of £30 million secured loan notes to be constituted in the manner set out below.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this instrument.

Provision for Bad Debt: in relation to a Customer Loan which has become in default in accordance with its terms or otherwise in respect of which any sum payable by a customer is not paid when due, the total balance of that Customer Loan including any interest accrued (ascertained on the date on which the relevant calculation of the Customer Loan Value in which that sum will be utilised is to be calculated), multiplied by the factor set out below:

Length of time any due payment is in arrears	Factor
2 to 2.99 months	0.10
3 to 3.99 months	0.40
4 to 5.99 months	0.75
6 or more months or written off	1.00

PROVIDED THAT interest shall not be treated as continuing to accrue or compound on any Customer Loan which has been written off or in respect of which any payment is more than six months in arrears.

Bad Debt Provision Aggregate Value: the sum of all Provision for Bad Debts.

Business Day: any day, other than a Saturday or Sunday or Bank holiday in Guernsey.

Conditions: the conditions set out in Schedule 2 as, from time to time, amended and **Condition** shall be construed accordingly.

Customer Loan: means any loan advanced to a third party by

Customer Loan Value: the sum of the principal amounts of all Customer Loans outstanding from time to time including any interest accrued and/or compounded on any such loan, but excluding the Bad Debt Provision Aggregate Value.

Directors: the board of directors of the Company for the time being.

Event of Default: any of those events specified in clause 9.

Final Repayment Date: in respect of any Loan Note, means the ninth anniversary of the Release Date applicable to that Loan Note.

Group: at any time, the Company, any subsidiary or holding company of the Company and any subsidiary of any such holding company, from time to time (and member of the Group shall be construed accordingly).

holding company and subsidiary: mean a “**holding company**” and “**subsidiary**” as defined in Section 531(6) of the Law excluding the provisions of Section 531(7) so as to include overseas companies.

Interim Repayment Date: each of the dates falling on the third and sixth anniversaries of the date of this Instrument.

Interim Repayment Notice Date: in respect of each Interim Repayment Date shall mean the date falling six months before the relevant Interim Repayment Date.

Law: The Companies (Guernsey) Law, 2008 as amended.

Noteholder: each person for the time being entered in the Register as a holder of one or more Notes.

Notes: up to £30 million secured loan notes constituted by this instrument or, as the case may be, the amount of such loan notes for the time being issued and outstanding.

Note Security: the security described in clause 4.1.

Note Trustee: JTC Fund Solutions (Guernsey) Limited.

Proceeds: the monies received by the Company in consideration for the issue of the Notes.

Recognised Investment Exchange: has the meaning given to such term in the Companies (Recognised Stock Exchanges) Regulations, 2008.

Register: the register of Noteholders (provisions relating to which are set out in clause 8).

Repayment Notice: a notice served by the Company on a Noteholder in accordance with Condition 2.1 specifying the amount of Notes to be redeemed and the date of redemption not being more than 50 (fifty) Business Days after the date of the Redemption Notice.

Secretary: the secretary of the Company for the time being.

Special Resolution: a resolution passed whether at a meeting of the Noteholders duly convened, and held, or by acknowledgement of a written notice, in each case accordance with the provisions of this instrument and carried by a majority consisting of not less than 75% of the persons voting at such meeting upon a show of hands or, if a poll is demanded, by a majority consisting of not less than 75% of the votes given on such poll.

1.2 Any reference in this instrument to:

- (a) the **assets** of any person shall be construed as a reference to all, or any part, of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;
- (b) an **encumbrance** shall be construed as a reference to a mortgage, charge, security interest assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of, and having a similar effect to, the granting of security, or other security interest of any kind;
- (c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;
- (d) this **instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may, from time to time, be amended, varied, supplemented or novated, in each case, in accordance with its terms;
- (e) a **month** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;
- (f) a **person** shall be construed as a reference to any individual, firm, company or other body corporate, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) and, respectively, wherever incorporated or established;

- (g) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;
- (h) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
- (i) the **winding-up, dissolution** or **administration** of a person shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person is incorporated or of any jurisdiction in which such person carries on business; and
- (j) **£** denotes the lawful currency of the United Kingdom and/or Guernsey.

1.3 References to any law, statute, or ordinance or statutory provision shall include references to such law, statute, ordinance or statutory provision as in force at the date of this instrument and as subsequently re-enacted or consolidated and shall include references to any law, statute, ordinance or statutory provision of which it is a re-enactment or consolidation provided that any such re-enactment or consolidation shall not include the liability of the Company pursuant to this instrument.

1.4 In construing this instrument general words introduced by the word **other** shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word **including** shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.5 All the provisions of this instrument are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

1.6 References to the Notes include references to all and/or any of the Notes.

1.7 The headings in this instrument are inserted for convenience only and shall not affect construction or interpretation and references to a clause, schedule, condition or paragraph are (unless otherwise stated) to a clause or schedule in this instrument and to a condition or a paragraph of the relevant schedule, respectively.

2. AMOUNT OF NOTES

The principal amount of the Notes is limited to £30 million.

3. DESCRIPTION AND STATUS OF NOTES

3.1 The Notes shall be known as Floating Rate Secured Loan Notes 2013 and shall be issued in integral multiples of £1,000.00 by the Company.

3.2 The Notes when issued shall rank *pari passu* equally and rateably without discrimination, or preference, among themselves and a secured obligation of the Company.

4. NOTE TRUSTEE

4.1 The Company shall provide security for its obligations without limitation, under this instrument and the Notes, by creating a first ranking charge in favour of the Note Trustee over a secured bank account into which the receipts generated by use of the Proceeds will be paid and by assigning the benefit of any receivables payable to the Company generated by the use of the Proceeds.

4.2 The Company shall appoint the Note Trustee to undertake the Note Trustee Services and by the same agreement procure that the Note Trustee declares a trust of its rights against the Company under the Note security.

4.3 The Company may from time to time procure the appointment of a replacement or additional Note Trustee subject to that person having all appropriate licenses and other requisite regulatory positions and such appointment not requiring the Company to incur a materially greater cost as a result of that appointment.

5. REPAYMENT OF NOTES

5.1 The Notes shall become payable (i) on an Interim Repayment Date if a Noteholder serves notice to that effect on the Company before the relevant Interim Repayment Notification Date; and (ii) in any event on the Final Repayment Date.

5.2 When the Notes become payable in accordance with the provisions of this instrument, the Company shall pay to the Noteholders the full principal amount of the Notes to be repaid together with any accrued interest on such

Notes (less any tax which the Company is required by law to deduct or withhold from such payment) up to, and including, the date of payment.

All payments under this instrument, whether of principal, interest or otherwise, shall be made by the Company to the Noteholders entitled to such payments as provided by paragraph 4 of Schedule 2.

- 5.3 Where any payment to a Noteholder, whether of principal, interest or otherwise, is due in accordance with the terms of this instrument on a day which is not a Business Day, payment shall take place on the next succeeding Business Day. If that next succeeding Business Day is in the month following the month in which payment would otherwise be made, payment shall take place on the immediately preceding Business Day.

6. INTEREST ON NOTES

Until the Notes are repaid in accordance with the provisions of this instrument, interest shall accrue, and be paid, on the principal amount of the Notes which are outstanding at the rate and in the manner set out in the Conditions.

7. CERTIFICATES

- 7.1 Each certificate for Notes shall:
- (a) bear a denoting number;
 - (b) be issued to a Noteholder substantially in the form set out in Schedule 1; and
 - (c) have the Conditions endorsed on it.
- 7.2 Each Noteholder shall be entitled to receive without charge one certificate for the Notes registered in his, or her, name.
- 7.3 The Company shall not be bound to register more than four persons as the joint holders of any Notes and, in the case of Notes held jointly by several persons, the Company shall not be bound to issue more than one certificate. Delivery of a certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of the Notes in respect of which such certificate has been delivered.
- 7.4 When a Noteholder redeems part only of the Notes in respect of which that Noteholders is the registered holder, the existing certificate shall be cancelled and a new certificate for the balance of such Notes shall be issued without charge.

8. REGISTER

- 8.1 The Company shall, at all times, keep a Register at its registered office (or at such other place as the Company may from time to time have appointed for the purpose and have notified to the Noteholders).
- 8.2 The Register shall contain the following details:
- (a) the names and addresses of each Noteholder for the time being;
 - (b) the principal amount of the Notes held by each Noteholder;
 - (c) the date at which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;
 - (d) the date of issue of each Note; and
 - (e) all transfers and changes of ownership of the Notes, insofar as such transfer is permitted by the terms of the Notes.
- 8.3 Any change of name or address by any Noteholder which is notified to the Company at its registered office address above shall be entered in the Register.
- 8.4 Any Noteholder may at all reasonable times during office hours and on reasonable notice inspect, and take copies of, the Register.

9. DEFAULT

The following are Events of Default:

- (a) **Non-payment:** the Company fails to pay any principal or interest on any of the Notes within ten (10) Business Days after the due date for payment thereof unless that non-payment arises as a result of a genuine error duly rectified by the Company upon it becoming aware of the relevant non-payment or as a result of the failure of any third party payment system utilised by the Company to effect any such payment, provided that the Company uses its reasonable endeavours to mitigate the effects of any such failure upon becoming aware of the same;
- (b) **Breach of undertaking:** the Company fails duly to perform or comply with any obligation (other than an obligation to pay principal or interest in respect of the Notes) expressed to be assumed by it in this instrument and such failure continues for ten (10) Business Days after written notice has been given by any Noteholder requiring remedy thereof;
- (c) **Insolvency:** the Company is deemed by law or determined by a court to be insolvent or unable to pay its debts as they fall due and

not otherwise deemed unable to pay your debts within the meaning of Section 407 of the Law, stops, suspends or threatens to stop or suspend payment of all, or any material part of, its indebtedness or commences negotiations with any one, or more, of its creditors with a view to the general readjustment or re-scheduling of all or any material part of its indebtedness or makes a general assignment for the benefit of, or composition with, its creditors (or any class of its creditors) or a moratorium is agreed or declared in respect of, or affecting, all or a material part of its indebtedness;

- (d) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the assets of the Company and is not discharged or stayed within 10 Business Days;
- (e) **Winding-up:** the Company is declared to be en état de désastre or takes any corporate action or other steps are taken or legal or other proceedings are started for its winding-up, dissolution or re-organisation (other than for the purposes of a bona fide, solvent scheme of reconstruction or amalgamation previously approved by a Special Resolution) or for the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or of any or all of its assets;
- (f) **Analogous proceedings:** anything analogous to, or having a substantially similar effect, to any of the events specified in clause 9 (c) to clause 9(e) inclusive shall occur under the laws of any applicable jurisdiction;
- (g) **Encumbrance enforceable:** any encumbrance on, or over, the assets of the Company becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar person) is taken to enforce that encumbrance;
- (h) **Cessation of business:** the Company ceases to carry on the business it carries on at the date of this instrument or a substantial part thereof;
- (i) **Illegality:** it is or becomes, or will become, unlawful for the Company to perform or comply with any of its obligations under this instrument, or any such obligation is not or ceases to be legal, valid and binding;
- (j) **Failure of Security:** the Notes cease to be secured as contemplated by Clause 4; and
- (k) **Value of Security:** the calculation of Customer Loan Value plus funds held in cash falls below the value of the Proceeds.

10. ACCELERATION

If, at any time and for any reason, any Event of Default has occurred, the Noteholders may by Special Resolution or by written notice to the Company from Noteholders holding more than 50% of the nominal value of the Notes then issued and outstanding, at any time while such Event of Default remains unremedied and has not been waived by a Special Resolution, direct that the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes shall become due and payable immediately. If the Noteholders give such a direction under this clause, then the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes (in each case less any applicable taxes) shall be immediately due and payable by the Company and the Company shall immediately pay or repay such amounts to the Noteholders.

11. NO SET-OFF

Payments of principal and interest under this instrument shall be paid by the Company to the Noteholders, without any deduction or withholding (whether in respect of any set-off, counterclaim, duties, taxes or otherwise whatsoever) unless the deduction or withholding is required by law.

12. MEETINGS OF NOTEHOLDERS

The provisions for meetings of the Noteholders set out in Schedule 3 shall be deemed to be incorporated in this instrument and shall be binding on the Company and the Noteholders and on all persons claiming through or under them respectively.

13. ENFORCEMENT

13.1 From and after the date of this instrument and so long as any amount is payable by the Company in respect of the Notes, the Company undertakes that it shall duly perform and observe the obligations on its part contained in this instrument.

13.2 The Notes shall be held subject to, and with the benefit of, the provisions of this instrument, the Conditions and the schedules (all of which shall be deemed to be incorporated in this instrument). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through, or under, them respectively, and shall enure for the benefit of all Noteholders.

13.3 Each Noteholder shall be entitled to sue for the performance and observance of the provisions of this instrument so far as his holding of Notes is

concerned. No other person shall have any right to enforce any term or condition of this instrument.

14. MODIFICATION

The provisions of this instrument and the Conditions and the rights of, the Noteholders may, from time to time, be modified, abrogated or compromised in any respect (including in any manner set out in paragraph 16.1 of Schedule 4) with the sanction of a Special Resolution and with the consent of the Company.

15. GOVERNING LAW AND JURISDICTION

- 15.1 This instrument and the Notes and any dispute or claim arising out of, or in connection with, any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of the Island of Guernsey.
- 15.2 The courts of Guernsey shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this instrument or any Note or their subject matter or formation (including non-contractual disputes or claims).

This instrument is delivered and takes effect on the date stated at the beginning of it.

Schedule 1 Form of note

Certificate No: [NUMBER]

Date of Issue: [DATE]

Amount: £[AMOUNT]

Interest Period: [ANNUAL/QUARTERLY/MONTHLY]

CHERRY GODFREY CONSUMER FUNDING II LIMITED

£30 MILLION FLOATING RATE SECURED LOAN NOTES 2013

Created and issued pursuant to a resolution of the board of directors of the Company passed on [] 2013.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £30 million secured loan notes constituted by an instrument entered into by the Company on [] 2013 (the “**Instrument**”). Such Notes are issued with the benefit of, and subject to the provisions contained in, the Instrument and the Conditions endorsed hereon.

The Notes are repayable in accordance with Condition 1 on the ninth anniversary of the Release Date of the Loan Note (the “**Repayment Date**”).

Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at its registered office from time to time.

1. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions endorsed hereon.
2. The Notes and any dispute or claim arising out of, or in connection with, any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of the Island of Guernsey.

Schedule 2 The Conditions

1. REPAYMENT

- 1.1 The Company shall redeem the principal amount of each of the Notes the subject of an Interim Repayment Notice on the relevant Interim Repayment Date and each of the Notes not subject to earlier redemption on the Final Repayment Date. Any redemption of the Notes under this Condition 1 shall be made pro rata to the holdings of all Noteholders, together with accrued and unpaid interest accrued on the relevant Notes up to (and including) the date of such repayment by the Company.
- 1.2 A Noteholder may require that any Note registered in its name be repaid on an Interim Repayment Date by giving notice to the Company to that effect on the immediately preceding Interim Repayment Notice Date identifying the relevant Notes for repayment.

2. VOLUNTARY EARLY REPAYMENT

- 2.1 The Company may at any time after the expiry of 24 months after the date on which a Note has been issued, repay the principal amount of such Note in full.
- 2.2 The Company shall also pay to each Noteholders all unpaid interest accrued on the Notes to be redeemed up to, and including the date of, such redemption (in each case less any taxes required by law to be deducted or withheld from such payments).
- 2.3 Any payment made under the provisions of Condition 2.1 shall be treated as reducing the amount of the repayments under Condition 1.1 proportionately.
- 2.4 Any redemption of the Notes under the provisions of Condition 2.1 shall be made pro rata to the holdings of all Noteholders.

3. CANCELLATION

All Notes repaid, prepaid or purchased by the Company shall be cancelled.

4. PAYMENT OF INTEREST

- 4.1 Until the Notes are repaid in accordance with these Conditions, interest on the principal amount of the Notes outstanding, from time to time, shall accrue daily as follows:
- (i) in the case of notes in respect of which interest is expressed to be payable annually, at the rate which is the higher of 6% per annum or Base Rate plus 3%, calculated and compounded annually on 31st December in each year before redemption;
 - (ii) in the case of notes in respect of which interest is expressed to be payable quarterly, at the rate which is the higher of 5.75% per annum or Base Rate plus 2.75% calculated and compounded on each of 31st March, 30th June, 30th September and 31st December in each year before redemption; or
 - (iii) in the case of notes in respect of which interest is expressed to be payable monthly, at the rate which is the higher of 5.50% per annum or Base Rate plus 2.50% calculated and compounded on the last day of each calendar month in each year before redemption.
- 4.2 For the purposes of Clause 4.1, Base Rate shall mean the rate identified by the Bank of England from time to time as its then current official bank rate or, if no such rate is identified for the relevant period, its nearest equivalent.
- 4.3 The Company shall pay accrued interest in cash on the date on which it is compounded in accordance with Clause 4.1.
- 4.4 Interest shall be calculated on the assumption that each calendar month consists of 30 days, on the basis of the number of days expired in a calendar month before the end of the same up to a maximum of 30 and on the basis of a 360 day year.
- 4.5 Interest shall be payable in respect of the Notes less any reduction or withholding required to be applied or imposed by any applicable law and without any obligation to gross up the same.
- 4.6 If the Company fails to pay any amount of interest or principal on any Note when such amount is due, interest at the rate applicable under these Conditions plus 1% per annum shall accrue on the unpaid amount from the due date until the date of payment.

4.7 Interest on any Notes repaid by the Company in accordance with these Conditions shall cease to accrue as from the date of such repayment.

5. DEALINGS

The Notes shall not be capable of being dealt in or on any Recognised Investment Exchange in the United Kingdom or elsewhere and no application has been, or shall be, made to any Recognised Investment Exchange for permission to deal in or for an official or other quotation for the Notes.

6. AUDIT

The Company shall procure that its auditor from time to time calculates the Bad Debt Percentage in respect of each financial year of the Company within three months of the end of the relevant financial year and shall notify the Noteholders and the Security trustee if that percentage exceeds 7%.

7. NOTICES

Any Noteholder described in the Register as being at an address outside the United Kingdom but who shall, from time to time, give to the Company an address within the United Kingdom at which any notice may be served upon him shall be entitled to have notice served on him at such address. Save as otherwise provided in this Condition 6, no Noteholder other than a Noteholder described in the Register as being at an address within the United Kingdom shall be entitled to receive any notice.

Schedule 3 Provisions as to registration, transfer and other matters

1. RECOGNITION OF NOTEHOLDER AS ABSOLUTE OWNER

1.1 The Company shall recognise as absolute owner the registered holder of any Notes. The Company shall not (except as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Notes may be subject.

1.2 The receipt by:

- (i) the registered holder for the time being of any Notes; or,
- (ii) in the case of joint registered holders, any of them,

of the principal payable in respect of such Notes and for the interest, from time to time, accruing due in respect of such Notes or for any other moneys payable in respect of such Notes shall be a good discharge to the Company notwithstanding any notice it may have (whether express or otherwise) of the right, title, interest or claim of any other person to or in such Notes, interest or moneys. The Company shall not be bound to enter any notice of any express, implied or constructive trust on the Register in respect of any Notes.

2. TRANSFERABILITY OF NOTES

The Notes are transferable by instrument in writing in the usual common form (or in such form as the directors may approve) in amounts and multiples of £1,000.00, such instrument to be duly signed by or on behalf of the transferor and accompanied by such documentation identifying the transferee as may be reasonably be required by the Company and the transferor shall be deemed to remain the owner of any Note to be transferred until the transferee's name is entered in the Register in respect of the relevant Note (which entry the Company shall be under no obligation to effect or recognise until it has received the identification documentation previously described).

3. RECOGNITION OF PERSONAL REPRESENTATIVES

The executors or administrators of a deceased Noteholder (not being one of several joint registered holders) and in the case of the death of one or more of several joint registered holders the survivor or survivors of such joint registered holders together with any person to which a Note is transferred in accordance with Clause 4, shall be the only person or persons recognised by the Company as having any title to such Note as was registered in the name of such deceased Noteholder.

4. TRANSMISSION OF NOTES

Any person who becomes entitled to any of the Notes as a result of the death or bankruptcy of any Noteholder, or of any other event giving rise to the transmission of such Note by operation of law may, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title as the Directors shall think sufficient, be registered himself as the holder of such Note. The Company may retain any payments paid upon any such Note which any person under this provision is entitled to, until such person is registered as the holder of such Note.

5. PAYMENT OF INTEREST AND PRINCIPAL

5.1 The payments of principal, interest or other sums payable in respect of a Note may be paid by:

- (a) electronic transfer in immediately available cleared funds on the due date for payment, to the account specified for the purpose by the Noteholder or joint Noteholders in writing to the Company; or
- (b) in the absence of such notification, by cheque, warrant or bankers' draft made payable to, and sent to, the registered address of the Noteholder or in the case of joint registered holders, made payable to the order of, and sent to the registered address of, that one of the joint registered holders who is first named on the Register or made payable to such person and sent to such address as the registered holder or all the joint registered holders may in writing direct.

5.2 Every such cheque, warrant or bankers' draft shall be sent on the due date for payment and may be sent through the post at the risk of the registered Noteholder or joint registered holders. Payment of the cheque, warrant or bankers' draft shall be a good discharge to the Company.

5.3 All payments of principal, interest or other moneys to be made by the Company shall be made after any deductions or withholdings for, or on account of, any present or future taxes required to be deducted or withheld from such payments.

6. RECEIPT OF JOINT HOLDERS

If several persons are entered in the Register as joint registered holders of any Note then without prejudice to the provisions of paragraph 5 the receipt of any one of such persons for any interest or principal or other moneys payable in respect of such Note shall be as effective a discharge to the Company as if the person signing such receipt were the sole registered holder of such Note.

7. REPLACEMENT OF CERTIFICATES

If the Certificate for any Note is lost, defaced or destroyed it may be renewed on such terms (if any) as to evidence and indemnity as the Directors may require. In the case of defacement the defaced Certificate shall be surrendered before the new Certificate is issued.

8. NOTICE TO NOTEHOLDERS

Any notice or other document (including Certificates for Notes) may be given or sent to any Noteholder by sending the same by post in a prepaid, first-class letter addressed to such Noteholder at his registered address in the United Kingdom or (if he has no registered address within the United Kingdom) to the address (if any) within the United Kingdom supplied by him to the Company for the giving of notice to him. In the case of joint registered holders of any Note a notice given to the Noteholder whose name stands first in the Register in respect of such Note shall be sufficient notice to all joint holders. Notice may be given to the persons entitled to any Notes as a result of the death or bankruptcy of any Noteholder by sending the same by post in a prepaid, first-class envelope addressed to them by name or by the title of the representative or trustees of such Noteholder at the address (if any) in the United Kingdom supplied for the purpose by such persons or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

9. NOTICE TO THE COMPANY

Any notice or other document (including Certificates for a Note and transfers of Notes) may be given or sent to the Company by sending the same by post in a prepaid, first-class letter addressed to the Company at its registered office for the time being.

10. SERVICE OF NOTICES

Any notice, communication or document sent by post shall be deemed to have been delivered or received on the second Business Day following the day on which it was posted. In proving such delivery or receipt it shall be sufficient to prove that the relevant notice, communication or document was properly addressed, stamped and posted (by airmail, if to another country) in the United Kingdom.

Schedule 4 Provisions for meetings of the Noteholders

1. CALLING OF MEETINGS

The Company may at any time and shall upon the request in writing signed by any registered holder of a Note for the time being outstanding convene a meeting of the Noteholders to be held at such place as the Company shall determine.

2. NOTICE OF MEETINGS

At least ten (10) Business Days' notice specifying the place, day and hour of the meeting shall be given to the Noteholders of any meeting of Noteholders in the manner provided in Schedule 3. Any such notice shall specify the general nature of the business to be transacted at the meeting thereby convened but, except in the case of a resolution to be proposed as a Special Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. The omission to give notice to any Noteholder shall invalidate any resolution passed at any such meeting.

3. CHAIRMAN OF MEETINGS

A person nominated by the Company shall be entitled to take the chair at any such meeting and if no such nomination is made, or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. The Directors and the Secretary and legal advisers of the Company and any other person authorised in that behalf by the Directors may attend at any such meeting.

4. QUORUM AT MEETINGS

At any such meeting convened for any purpose, other than the passing of a Special Resolution, a person or persons holding or representing by proxy one tenth in nominal value of the Notes for the time being outstanding shall form a quorum for the transaction of business. At any meeting convened for the purpose of passing a Special Resolution persons (at least two (2) in number) holding or representing by proxy a clear majority in nominal value of the Notes for the time being outstanding shall form a quorum. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the meeting.

5. ABSENCE OF QUORUM

If within 30 minutes from the time appointed for any meeting of the Noteholders a quorum is not present the meeting shall, if convened upon the requisition of the Noteholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than ten (10) Business Days and not more than thirty (30) Business Days thereafter) and to such place as may be appointed by the Chairman and at such adjourned meeting two Noteholders present in person or by proxy and entitled to vote, whatever the principal amount of the Notes held by them, shall form a quorum.

6. ADJOURNMENT OF MEETINGS

The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same, from time to time, and from place to place. No business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting from which the adjournment took place.

7. NOTICE OF ADJOURNED MEETINGS

Notice of any adjourned meeting at which a Special Resolution is to be submitted shall be given in the manner provided for in the instrument. Such notice shall state that two (2) Noteholders present in person, or by proxy, and entitled to vote at the adjourned meeting whatever the principal amount of the Note(s) held by them shall form a quorum.

8. RESOLUTION ON SHOW OF HANDS

Every question submitted to a meeting of Noteholders shall be decided in the first instance by a show of hands. In case of an equality of votes the Chairman shall have a casting vote.

9. DEMAND FOR POLL

At any meeting of Noteholders, unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact.

10. MANNER OF TAKING POLL

If, at any such meeting, a poll is so demanded it shall be taken in such manner as the Chairman may direct. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

11. TIME FOR TAKING POLL

Any poll demanded at any such meeting shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

12. PERSONS ENTITLED TO VOTE

The registered holders of any Note or, in the case of joint holders, any one of them shall be entitled to vote in respect thereof either in person, or by proxy, and in the latter case as if such joint holder were solely entitled to such Note. If more than one of such joint holders be present at any meeting either personally or by proxy the vote of the senior who tenders a vote (seniority being determined by the order in which the joint holders are named in the Register) shall be accepted to the exclusion of the votes of the other joint holders.

13. INSTRUMENT APPOINTING PROXY

Every instrument appointing a proxy shall be in writing, signed by the appointor or his attorney or, in the case of a corporation, under its common seal, or signed by its attorney or a duly authorised officer and shall be in such form as the Directors may approve. Such instrument of proxy shall, unless the contrary is stated thereon, be valid both for an adjournment of the meeting and for the meeting to which it relates and need not be witnessed. A person appointed to act as a proxy need not be a Noteholder.

14. DEPOSIT OF INSTRUMENT APPOINTING PROXY

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited with the Company at the address where the Register is maintained for the time being (as referred to in clause 8.1 of the instrument) or at such other place as may be specified in the notice convening the meeting before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in such

instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Notes in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the address where the Register is maintained for the time being (as referred to in clause 8.1 of the instrument). No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

15. VOTES

On a show of hands every Noteholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative (not being himself a Noteholder) or by proxy shall have one vote (provided that a proxy appointed by more than one member should only have one vote or, where the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it, such proxy shall have one vote for and one vote against the resolution). On a poll every Noteholder shall have one vote for every £1,000 in nominal amount of the Notes of which he is the holder. A Noteholder (or a proxy or representative of a Noteholder) entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

16. POWER OF MEETINGS OF NOTEHOLDERS

16.1 In addition to any other powers it may have, a meeting of the Noteholders may, by Special Resolution:

- (a) sanction any compromise or arrangement proposed to be made between the Company and the Noteholders;
- (b) sanction any abrogation, modification or compromise or any arrangement in respect of the rights of the Noteholders against the Company or its property whether such rights shall arise under this instrument or otherwise;
- (c) sanction any scheme for the reconstruction of the Company or for the amalgamation of the Company with any other company;
- (d) sanction any scheme or proposal for the sale or exchange of the Notes for, or the conversion of the Notes into, cash or shares, stock, debentures, debenture stock or other obligations or securities of the Company or any other company formed or to be formed, and for the appointment of a person with power on behalf of the Noteholders to execute an instrument of transfer of the Notes held by them in favour

of the person to or with whom the Notes are to be sold or exchanged (as the case may be);

- (e) assent to any modification or abrogation of the provisions contained in this instrument which shall be proposed by the Company and authorise the Company to execute an instrument supplemental to the instrument embodying any such modification or abrogation;
- (f) give any authority or sanction which under the provisions of this instrument is required to be given by Special Resolution; and
- (g) Request that the Company replace the Note Trustee, subject to any limitation on its obligation to do so set out in the instrument.

16.2 No resolution shall be effective which would increase any obligation of the Company under this instrument or postpone the due date for payment of any principal or interest in respect of any Note without the consent of the Company.

17. SPECIAL RESOLUTION BINDING ON ALL NOTEHOLDERS

A Special Resolution, passed at a meeting of Noteholders duly convened and held in accordance with the provisions of this schedule, shall be binding on all the Noteholders whether or not present at such meeting and each of the Noteholders shall be bound to give effect to such Special Resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing of such Special Resolution.

18. RESOLUTIONS IN WRITING

A resolution in writing signed by the holders of at least 75% in nominal value (and in the case of a Note held by several Noteholders the signature of one of them only shall be required for such determination in respect of the relevant Note) of the Notes for the time being outstanding who are for the time being entitled to receive notice of meetings in accordance with the provisions contained in the instrument shall for all purposes be as valid and effectual as a Special Resolution. Such resolution in writing may be contained in one document or in several documents in like form each signed by one, or more, of the Noteholders.

19. MINUTES OF MEETINGS

Minutes of all resolutions and proceedings at every such meeting of the Noteholders shall be made and duly entered in books to be, from time to time, provided for that purpose by the Company. Any minutes which purport to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings held or by the Chairman of the next succeeding meeting of the Noteholders shall be conclusive evidence of the matters

contained in such minutes. Unless the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed at such meetings to have been duly passed.

Signed by **CHERRY GODFREY
CONSUMER FUNDING II LIMITED**
acting by Mr David Cherry and Mr
David Barrow, each a director



.....
Director



.....
Director