OFFERING CIRCULAR

£304,001,840*

Hermione (European Loan Conduit No. 14) plc

(incorporated with limited liability in England and Wales)

Commercial Mortgage Backed Floating Rate Notes due 2011

Application has been made to the Irish Stock Exchange Limited (the "Irish Stock Exchange") for the £194,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2011 (the "Class A Notes"), the U.S.$52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2011 (the "Class B Notes"), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2011 (the "Class C Notes"), the £21,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2011 (the "Class D Notes") and the £27,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2011 (the "Class E Notes" and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Notes") of Hermione (European Loan Conduit No. 14) plc (the "Issuer") to be admitted to the Official List of the Irish Stock Exchange. A copy of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with requirements of the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland (the "Regulations"), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

Interest on the Notes will be payable quarterly in arrear in pounds sterling (or, in the case of the Class B Notes, in U.S. dollars) on the 25th day of January, April, July and October in each year, subject to adjustment for non-business days as described herein (each an "Interest Payment Date"). The first Interest Payment Date will be 25th July, 2003. The interest rate applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate ("LIBOR") for three-month sterling deposits (or, in the case of the Class B Notes, three-month dollar deposits) (save, in the case of the first Interest Period, a rate determined by the linear interpolation of LIBOR of one and two month sterling or dollar deposits, as the case may be) plus a margin which will be different for each class of Notes as set out under "Margin over LIBOR" below.

The Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are expected on issue to be assigned the ratings set out opposite the relevant class in the table below by Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and, together with Fitch and Moody's, the "Rating Agencies"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations. The ratings from the Rating Agencies only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the relevant Maturity Date and do not address the likelihood of receipt by any Noteholder of principal prior to the relevant Maturity Date.

Class	Expected Ratings Fitch	Moody's[1]	S&P	Initial Principal Amount	Margin over LIBOR[2]	Estimated Average Life	Expected Final Interest Payment Date	Maturity Date	Issue Price[3]
A	AAA	Aaa	AAA	£ 194,000,000	0.45 per cent.	5.8 years	25th October, 2009	25th October, 2011	100 %
B	AAA	–	AAA	U.S.$52,000,000	0.45 per cent.	6.4 years	25th October, 2009	25th October, 2011	100 %
C	AA	–	AA	£30,000,000	0.70 per cent.	6.4 years	25th October, 2009	25th October, 2011	100 %
D	A	–	A	£ 21,100,000	1.00 per cent.	6.4 years	25th October, 2009	25th October, 2011	100 %
E	BBB	–	BBB	£ 27,000,000	2.10 per cent.	6.4 years	25th October, 2009	25th October, 2011	100 %

(1) The Class B Notes, Class C Notes, Class D Notes and Class E Notes are not being rated by Moody's.

(2) Interest on the Class E Notes is limited, in accordance with Condition 5(f), to an amount equal to the lesser of (a) the Interest Amount in respect of such class of Notes for that Interest Payment Date, and (b) (i) the Available Interest Receipts in respect of the relevant Interest Payment Date minus (ii) the sum of all amounts payable out of Available Interest Receipts on such Interest Payment Date in priority to the payment of interest on such class of Notes.

(3) Plus accrued interest, if any.

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, Morgan Stanley Dean Witter Bank Limited ("MSDW Bank") or any associated body of MSDW Bank, or of or by the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider, the Depository, the Exchange Agent or the Operating Bank (each as defined herein) or any company in the same group of companies as the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider,, the Depository, the Exchange Agent or the Operating Bank and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

The Notes will be issued simultaneously on the Closing Date. All Notes will be secured by the same security, subject to the priority described herein. Notes of each class will rank pari passu with and without priority over other Notes of the same class. Prior to redemption on the Interest Payment Date falling in October 2011 (the "Maturity Date"), the Notes will be subject to mandatory redemption in certain circumstances. See "Terms and Conditions of the Notes — Redemption and Cancellation".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE APPLICABLE STATE LAWS.

THE NOTES ARE BEING OFFERED AND SOLD ONLY TO (A) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "TRANSFER RESTRICTIONS". ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS DOCUMENT NOR ANY PART HEREOF NOR ANY OTHER OFFERING CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT, OTHER OFFERING MATERIAL OR OTHER INFORMATION MAY BE ISSUED, DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION (INCLUDING THE UNITED KINGDOM), EXCEPT IN CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS, ORDERS, RULES AND REGULATIONS.

If any withholding or deduction for or on account of tax is applicable to payments of interest or principal on the Notes, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence.

The Notes are expected to settle in book entry form through the facilities of DTC, Euroclear and Clearstream, Luxembourg (each as defined herein) on or about 5th June, 2003 (the "Closing Date") against payments therefor in immediately available funds.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

** Approximately, calculated using an exchange rate of £1 =U.S.$1.63.*

MORGAN STANLEY

Barclays Capital **WestLB**

The date of this Offering Circular is 3rd June, 2003

per pro SFM Directors Limited

3 June 2003

IMPORTANT NOTICE

The Notes of each class sold in reliance upon Rule 144A under the Securities Act ("**Rule 144A**") will on issue be represented by two global notes in bearer form for each such class of Notes (each a "**Rule 144A Global Note**" and together the "**Rule 144A Global Notes**"). The Notes of each class sold in offshore transactions in reliance on Regulation S under the Securities Act ("**Reg S**") will initially be represented by a global note in bearer form for each such class of Notes (each a "**Reg S Global Note**" and together the "**Reg S Global Notes**").

The Rule 144A Global Notes and the Reg S Global Notes will be deposited with or to the order of HSBC Bank USA, as book entry depository (the "**Depository**") pursuant to a depository agreement among the Issuer, the Depository and the Trustee (the "**Depository Agreement**"). The Depository will for each class of Notes (a) register a certificateless depository interest in respect of one of the Rule 144A Global Notes in the name of The Depository Trust Company ("**DTC**") or its nominee, (b) issue a certificated depository interest in respect of the other Rule 144A Global Note to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc (the "**Common Depositary**") as common depositary for the account of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and (c) issue a certificated depository interest in respect of the Reg S Global Note to the Common Depositary (each certificateless depository interest and certificated depository interest, a "**CDI**"). The Depository, acting as agent of the Issuer, will maintain a book entry system in which it will register DTC (or a nominee of DTC) as the owner of the certificateless depository interests in respect of the Rule 144A Global Note held by DTC or its nominee and the Common Depositary (or a nominee of the Common Depositary) as the owner of the certificated depository interests held by the Common Depositary. Transfer of all or any portion of the interests in the Rule 144A Global Notes or the Reg S Global Notes may be made only through the book entry system maintained by the Depository. Each of DTC, Euroclear and Clearstream, Luxembourg will record the beneficial interests in the CDIs attributable to the relevant Global Notes ("**Book Entry Interests**"). Book Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by DTC, Euroclear or Clearstream, Luxembourg, and their respective participants. Prior to the 40th day after the Closing Date, beneficial interests in the Reg S Global Notes may be held only through Euroclear or Clearstream, Luxembourg. No person who owns a Book Entry Interest will be entitled to receive a Note in definitive form (a "**Definitive Note**") unless Definitive Notes are issued in the limited circumstances described in "Terms and Conditions of the Notes — Definitive Notes". Definitive Notes will be issued in registered form only. See also "Description of the Notes and the Depository Agreement".

Holders of beneficial interests in the Rule 144A Global Notes (other than holders of the Class B Rule 144A Global Note) who hold such interests directly with DTC or through its participants and who wish payments to be made to them in pounds sterling outside DTC must give advance notice thereof to DTC in accordance with the rules and procedures of DTC prior to each Interest Payment Date. If such instructions are not given, pounds sterling payments on such Rule 144A Global Notes will be exchanged for dollars by the Exchange Agent (as defined herein) prior to their receipt by DTC and the affected holders will receive dollars on the relevant Interest Payment Date. See "Description of the Notes and the Depository Agreement — Payments on Global Notes".

Other than as provided in the following paragraph, the Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Industrious Ltd. has provided the Issuer with the information contained in this Offering Circular under the sections "Industrious MTL (Jersey) Limited Partnership (The Borrower)", "Industrious Finance UK Limited" and "The Property Portfolio". Industrious Ltd. has warranted and represented to the Issuer that the information in such sections is true, accurate and correct in all material respects as at the date of this Offering Circular (or otherwise as at the date specified in relation to such information) and that so far as Industrious Ltd. is aware, no facts have been omitted which would render the reproduced information misleading in any material respect.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, MSDW Bank, the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor,

the FX Swap Provider, the Depository, the Exchange Agent or the Operating Bank. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Other than the approval by the Irish Stock Exchange of this Offering Circular as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Offering Circular to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. Neither this Offering Circular nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase any of, the Notes and neither this Offering Circular, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular (or any part hereof) see "Notice to U.S. Investors", "Subscription and Sale" and "Transfer Restrictions" below.

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Circular under "Transfer Restrictions".

The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "Description of the Notes and the Depository Agreement" and "Transfer Restrictions".

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder, beneficial owner or prospective purchaser to the Issuer, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated with limited liability in England and Wales. All of the directors of the Issuer currently reside in England and Wales. As a result, it may not be possible to effect service of process within the United States upon such persons to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of the federal or state securities laws of the United States. There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY

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

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Offering Circular, including with respect to assumptions on prepayment and certain other characteristics of the Loan (as defined below), and reflect significant assumptions and subjective judgements by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Managers have attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

All references in this document to "**sterling**" *or* "**pounds**" *or* "**£**" *are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland, references to* "**dollars**" *or* "**$**" *or "***U.S.$***" are to the lawful currency for the time being of the United States of America.*

In connection with this issue, Morgan Stanley & Co. International Limited or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on Morgan Stanley & Co. International Limited or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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SUMMARY

The following information is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this document. Certain terms used in this summary are defined elsewhere in this document. A list of the pages on which these terms are defined is found in the "Index of Principal Defined Terms" at the end of this document.

Transaction Overview

In May 2002 the independent directors of Saville Gordon Estates plc (now renamed Industrious Ltd.) ("**Industrious**"), then a property company whose shares were listed on the Official List of the London Stock Exchange, announced the terms of a recommended cash offer for its shares. Such shares were subsequently purchased by Chambercroft Limited ("**Chambercroft**"). Chambercroft is a wholly owned subsidiary of Chamberflame Limited, which in turn is a wholly owned subsidiary of Industrious Holdings (Jersey) Limited ("**Industrious Holdings**"). In order to refinance certain existing debt facilities of Industrious and Chambercroft, Industrious Finance UK Limited ("**Industrious Finance**"), a wholly owned subsidiary of Chambercroft, entered into a credit agreement dated 9th December, 2002 (the "**Credit Agreement**") with, *inter alios*, MSDW Bank which advanced, pursuant to such Credit Agreement, a loan (the "**Loan**") of £329,000,000 (now, following an amortisation payment made in April 2003, reduced to £326,890,000). In connection with such refinancing, and in order to provide a separate self contained "pool" of properties to be charged as security, several transfers of properties were effected between subsidiary companies of Industrious.

On 19th May, 2003, Industrious Finance novated the Loan, with MSDW Bank's approval, to Industrious MTL (Jersey) Limited Partnership ("**MTLJLP**" or the "**Borrower**"), a limited partnership constituted under Jersey law comprising Industrious MTL (Jersey) General Partner Limited ("**MTLGP**") as general partner and Industrious MTL Security (Jersey) Limited ("**MTL Jersey Co**") as limited partner. MTL Jersey Co is a wholly owned subsidiary of Industrious Holdings and MTLGP is a wholly owned subsidiary of Industrious, although it is intended that such shares in MTLGP be transferred to Industrious Holdings in the future.

On or about the Closing Date, MSDW Bank transferred a participation of £22,888,160 (the "**Tranche B Loan**") in the Loan to another lender (the "**Tranche B Lender**"). Pursuant to the terms of a priority and intercreditor agreement dated 3rd June, 2003 (the "**Priority and Intercreditor Agreement**") between, *inter alios*, MSDW Bank and the Tranche B Lender, the Tranche B Loan is subordinate (other than certain limited rights given to them, as described in "The Loan and the Related Security — The Tranche A Loan and Tranche B Loan") in rights and priority of payment to the £304,001,840 amount of the Loan retained by MSDW Bank (the "**Tranche A Loan**"). See "The Loan and the Related Security — The Tranche A Loan and Tranche B Loan".

On the Closing Date the Issuer will issue the Notes and the proceeds will be used to acquire from MSDW Bank the Tranche A Loan together with MSDW Bank's beneficial interest in the Security Trust created over the benefit of the security granted in respect of the Loan. Also on the Closing Date, MSDW Bank will novate the Priority and Intercreditor Agreement to the Issuer. The Loan provides for the Borrower to pay a fixed rate of interest and is governed by English law. It is denominated in sterling and is a full recourse obligation of the Borrower. The Loan is secured by first legal mortgages (save in the case of one Property where a second legal mortgage has been granted, see "The Loan and the Related Security — Terms of the Debentures") over 101 commercial properties and two land sites (the "**Properties**") of which all but one are owned by MTLGP, as general partner of MTLJLP, and the remaining Property being owned by a separate, wholly-owned subsidiary of Industrious, namely Industrious (Fradley) Limited ("Industrious (Fradley)"). MTLGP (as general partner on behalf of MTLJLP) and Industrious (Fradley) (together the "**Mortgagors**") have entered into legal mortgages (first ranking in all but one case) over the Properties.

Pursuant to the terms of the Credit Agreement, the Borrower has established (i) an account into which net rents payable by the tenants occupying the Properties are to be paid initially on a daily basis and subsequently on a weekly basis (see "The Property Portfolio — Management" and "Risk Factors — The Issuer's Ability to Meet its Obligations under the Notes: The Tenants") (after collection by the managing agents) (the "**Rent Account**"), (ii) a sales account into which the proceeds of any sale of any Property are to be paid and (iii) a premium account into which any premiums payable upon the surrender of a lease are to be paid. On or shortly after each interest payment date under the Credit Agreement (each a "**Loan Payment Date**"), the Security

Trustee, acting upon information provided by the Servicer, will transfer from the Rent Account to an account with HSBC Bank plc in the name of the Security Trustee (the "**Tranching Account**"), all amounts due and payable on such interest payment date in respect of the Loan. The Security Trustee will then transfer the proportion of such amounts due in respect of the Tranche A Loan into an account with HSBC Bank plc in the name of the Issuer (the "**Transaction Account**"). On each interest payment date under the Notes (each an "**Interest Payment Date**"), the Cash Manager will, on the basis of information provided by the Servicer, identify the source of the funds standing to the credit of the Transaction Account and will, after payment of those obligations of the Issuer having a higher priority, apply such funds in payment of, *inter alia*, interest due on the Notes and, where applicable, in repayment of principal.

In order to protect the Issuer against interest rate risk arising as a result of the Borrower paying a fixed rate of interest on the Loan whilst the Issuer is required to pay floating rates of interest on the Notes, the Issuer will enter into an interest rate swap transaction with the Interest Rate Swap Provider whose obligations under such transaction will be guaranteed by the Interest Rate Swap Guarantor.

In addition, the Issuer will be protected against currency risk arising as a result of the Class B Notes being denominated in dollars whilst the Tranche A Loan is denominated in sterling by entering into a currency swap transaction with the FX Swap Provider.

Upon the rating of the short-term unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falling below "F1" by Fitch or "A-1" by S&P or the long-term unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falling below "A1" by Moody's, the Interest Rate Swap Provider may be required to transfer collateral to an account in the name of the Issuer in support of the obligations of the Interest Rate Swap Provider. Any such collateral will be transferred pursuant to the terms of the Interest Rate Swap Agreement Credit Support Document (as defined below) to be entered into between the Issuer and the Interest Rate Swap Provider on or about the Closing Date.

Upon the rating of the short-term unsecured, unsubordinated debt obligations of the FX Swap Provider falling below "F1" by Fitch or "A-1+" by S&P, the FX Swap Provider may be required to transfer collateral to an account in the name of the Issuer in support of the obligations of the FX Swap Provider. Any such collateral will be transferred pursuant to the terms of the FX Swap Agreement Credit Support Document (as defined below) to be entered into between the Issuer and the FX Swap Provider on or about the Closing Date.

The obligations of the Issuer under the Notes to the Noteholders and to other secured parties will be secured pursuant to a deed of charge and assignment governed by English law or, to the extent applicable, Jersey law. The Issuer will create, *inter alia,* (a) an assignment by way of security of the Tranche A Loan and the Issuer's rights under the Priority and Intercreditor Agreement and the Credit Agreement, (b) an assignment by way of security of the Issuer's beneficial interest in the Security Trust created over the Related Security, (c) an assignment under Jersey law by way of security over the Issuer's beneficial interest in the Security Trust created over the Related Security and over the Issuer's rights and interest under certain other contracts and agreements situated in Jersey, (d) assignments by way of security of the Issuer's rights under certain contracts entered into in connection with the issuance of the Notes, (e) an assignment by way of security of the Issuer's interests in the Tranching Account and the Transaction Account and certain other accounts in which the Issuer may place and hold cash and (f) a floating charge over the whole of the undertaking and assets of the Issuer (other than those assets that are otherwise secured by way of an effective fixed security interest).

There is no intention to accumulate any surplus funds in the Issuer as security for any future payments of interest and principal on the Notes.

The Parties

Issuer ..... Hermione (European Loan Conduit No. 14) plc (the "**Issuer**"), a public company incorporated in England and Wales with limited liability under registration number 04539735.

Originator ..... The Loan was originated by Morgan Stanley Dean Witter Bank Limited ("**MSDW Bank**"), whose principal offices are located at 25 Cabot Square, Canary Wharf, London E14 4QA.

Security Trustee ..... Morgan Stanley Mortgage Servicing Limited ("**MSMS**" and, in such capacity, the "**Security Trustee**") will hold all the security granted by the Borrower and the Mortgagors (the "**Security Trust**") as security for the senior liabilities (being liabilities under the Loan and related finance documents to, *inter alios*, MSDW Bank, the Security Trustee and their respective successors and assigns). Prior to the acquisition of the Tranche A Loan, the beneficiaries of the Security Trust will be MSDW Bank as the Tranche A Lender, the Tranche B Lender and the Security Trustee.

Trustee ..... The Bank of New York, acting through its London Branch (the "**Trustee**"), will act as trustee for the holders of the Notes and the other Secured Parties pursuant to a trust deed (the "**Trust Deed**") between the Trustee and the Issuer to be dated on or prior to the Closing Date.

Servicer ..... MSMS, whose principal office is located at 25 Cabot Square, Canary Wharf, London E14 4QA, will, pursuant to a servicing agreement (the "**Servicing Agreement**") to be entered into on or prior to the Closing Date between the Servicer, the Trustee, the Issuer, the Security Trustee and the Special Servicer, act as servicer (in such capacity, the "**Servicer**") in respect of the Loan and the Related Security.

Special Servicer ..... MSMS will, pursuant to the Servicing Agreement, act as special servicer (the "**Special Servicer**"). The Special Servicer will only be appointed in relation to the Loan should, *inter alia*, either of the Interest Cover Percentages become equal to or less than 110 per cent. If so appointed, the Special Servicer will become responsible, save for certain limited exceptions, for servicing and administering the Loan and Related Security.

Principal Paying Agent, Cash Manager, Agent Bank and Exchange Agent ..... HSBC Bank plc (in such capacities, the "**Principal Paying Agent**", the "**Cash Manager**", the "**Agent Bank**" and the "**Exchange Agent**", respectively).

Sub-Paying Agent ..... HSBC Global Investor Services (Ireland) Limited (the "**Sub-Paying Agent**"). The Sub-Paying Agent together with the Principal Paying Agent and any other paying agent(s) that may be appointed pursuant to the Agency Agreement, are together referred to as the "**Paying Agents**".

Operating Bank ..... HSBC Bank plc (in such capacity, the "**Operating Bank**"). The long term, unsecured, unsubordinated debt obligations of the Operating Bank are rated "AA" by Fitch, "Aa2" by Moody's and "AA-" by S&P and the short term, unsecured, unsubordinated debt

obligations of the Operating Bank are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

Depository and Registrar ..... HSBC Bank USA (in such capacities, the "**Depository**" and the "**Registrar**", respectively).

Corporate Services Provider ..... SFM Corporate Services Limited (in such capacity, the "**Corporate Services Provider**") will, pursuant to a corporate services agreement between the Issuer, the Corporate Services Provider, the Share Trustee and the Trustee (the "**Corporate Services Agreement**"), provide certain services to the Issuer.

Share Trustee ..... SFM Corporate Services Limited (in such capacity, the "**Share Trustee**") will, pursuant to the charitable declaration of trust constituting the European Loan Conduit No. 14 Securitisation Trust (the "**Declaration of Trust**"), provide certain services as trustee of the European Loan Conduit No. 14 Securitisation Trust.

Interest Rate Swap Provider and the Interest Rate Swap Agreement ..... Morgan Stanley Capital Services Inc. (the "**Interest Rate Swap Provider**"), whose principal office is located at 1585 Broadway, New York, New York 10036, USA, will enter into an interest rate swap agreement in the form of an International Swaps and Derivatives Association Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency Cross Border) dated on or prior to the Closing Date (the "**Interest Rate Swap Agreement**") with the Issuer. The Issuer and the Interest Rate Swap Provider will, on or prior to the Closing Date, enter into an interest rate swap confirmation evidencing the terms of the interest rate swap transaction (the "**Interest Rate Swap Transaction**") to be entered into pursuant to the Interest Rate Swap Agreement in order to protect the Issuer against interest rate risk arising as a result of the Borrower paying a fixed rate of interest on the Tranche A Loan whilst the Issuer is required to pay floating rates of interest on the Notes. See further "Credit Structure — The Interest Rate Swap Agreement". In the event of the rating of the short-term, unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falling below "F1" by Fitch or "A-1" by S&P or the long-term unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falling below "A1" by Moody's and subject to the provisions of the Interest Rate Swap Agreement, the Interest Rate Swap Provider may be required to make transfers of collateral in support of its obligations under the Interest Rate Swap Agreement pursuant to the terms of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) entered into on or about the Closing Date between the Issuer and the Interest Rate Swap Provider (the "**Interest Rate Swap Agreement Credit Support Document**"). See further "Credit Structure — Interest Rate Swap Agreement Credit Support Documents".

Interest Rate Swap Guarantor ..... Morgan Stanley ("**MS**" and, in such capacity, the "**Interest Rate Swap Guarantor**"), whose principal office is located at 1585 Broadway, New York, New York 10036, USA, will, pursuant to, and subject to the terms of, a guarantee in favour of the Issuer (the "**Interest Rate Swap Guarantee**"), guarantee all of the Interest Rate Swap Provider's obligations under the Interest Rate Swap Agreement and the Interest Rate Swap Transactions. The long term, unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor are rated "AA-" by Fitch, "Aa3" by Moody's and "A+" by

S&P and the short term, unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor are rated "F1+" by Fitch, "P-1" by Moody's and "A-1" by S&P.

FX Swap Provider and the FX Swap Agreement ..... JPMorgan Chase Bank (the "**FX Swap Provider**" and, together with the Interest Rate Swap Provider, the "**Swap Providers**"), whose principal office is located at 270 Park Avenue, New York, New York 10260 United States of America, will enter into an exchange rate swap agreement in the form of an International Swaps and Derivatives Association Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency-Cross Border) dated on or prior to the Closing Date (the "**FX Swap Agreement**" and, together with the Interest Rate Swap Agreement, the "**Swap Agreements**") with the Issuer. The Issuer and the FX Swap Provider will, on or prior to the Closing Date, enter into a swap confirmation evidencing the terms of the exchange rate swap transaction (the "**FX Swap Transaction**" and, together with the Interest Rate Swap Transaction, the "**Swap Transactions**") to be entered into pursuant to the FX Swap Agreement in order to protect the Issuer against the risk of movements in foreign exchange rates given that the Class B Notes will be denominated in dollars and the Tranche A Loan is denominated in sterling. See further "Credit Structure — The FX Swap Agreement". In the event of the rating of the short-term, unsecured, unsubordinated debt obligations of the FX Swap Provider falling below "F1" by Fitch or "A-1+" by S&P and subject to the provisions of the FX Swap Agreement, the FX Swap Provider may be required to make transfers of collateral in support of its obligations under the FX Swap Agreement pursuant to the terms of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) entered into on or about the Closing Date between the Issuer and the FX Swap Provider (the "**FX Swap Agreement Credit Support Document**" and, together with the Interest Rate Swap Agreement Credit Support Document, the "**Swap Agreement Credit Support Documents**"). See further "Credit Structure — Swap Agreement Credit Support Documents".

Liquidity Facility Provider and Liquidity Facility Agreement ..... Lloyds TSB Bank plc will act as the liquidity facility provider (the "**Liquidity Facility Provider**") under a liquidity facility agreement (the "**Liquidity Facility Agreement**"), with an initial maximum aggregate principal amount of £15,000,000 (such amount being subject to reduction in certain specified circumstances), to be dated on or prior to the Closing Date and between the Liquidity Facility Provider, the Issuer and the Trustee.

The long term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "AA+" by Fitch, "Aaa" by Moody's and "AA" by S&P and the short term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

The Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amount of interest and principal received from the Borrower in respect of the Tranche A Loan ("**Interest Drawings**" and "**Principal Drawings**", respectively), as well as shortfalls in the amounts required to pay interest that has accrued on outstanding drawings

under the Liquidity Facility Agreement ("**Accrued Interest Drawings**"). In addition, drawings under the Liquidity Facility Agreement will be available to fund shortfalls in Revenue Priority Amounts (as defined below) payable to a third party other than MSDW Bank ("**Expenses Drawings**").

Each drawing under the Liquidity Facility Agreement will be made in sterling.

For a more detailed description of the Liquidity Facility Agreement, see "Credit Structure — Liquidity Facility" below.

The Loan

The Loan ..... The Loan constitutes a full recourse obligation of the Borrower and is secured by first priority mortgages (except with respect to one Property) over secondary industrial properties and two land sites.

Purpose of Loan ..... The purpose of the Loan was to enable Industrious Finance (as the original borrower prior to the novation of the Credit Agreement to the Borrower) to make inter-company loans to Industrious (to enable Industrious to make an inter-company loan to Chambercroft to enable Chambercroft to repay indebtedness incurred in relation to its acquisition of Industrious and to enable Industrious and its subsidiaries to refinance existing indebtedness).

Interest Cover Ratio ..... The interest cover ratio of the Loan is approximately 1.48 times, and 1.63 times for the Tranche A Loan.

The Properties ..... The Loan is secured on 101 commercial properties and two land sites located across England and Wales, each of which is predominantly an industrial property. The Properties are located in secondary locations and many are occupied by a number of different tenants.

Valuation ..... As at 5th July, 2002 (the "**Valuation Date**"), the aggregate open market value of the Properties as determined by DTZ Debenham Tie Leung, the external valuer of the Properties, was £390,877,000 (the "**Valuation**"). On the basis of the Valuation, the loan to value ratio of the Loan on the date of this document (expressed as a percentage) is 83.63 per cent., and the loan to value ratio of the Tranche A Loan on the date of this document (given that the Tranche B Loan is fully subordinated to the Tranche A Loan) is 77.77 per cent. Other than in the context of Appraisal Reductions, no further independent valuations of the Property or Properties will be required to be obtained and accordingly all references herein to valuations are references to the Valuation. An update to the Valuation dated 1st May, 2003 is set forth as Appendix 1 hereto.

Payments on the Loan ..... The Loan is repayable at its final maturity date, subject to earlier repayment. The Loan has principal repayment obligations arising before its final maturity date and is prepayable by the Borrower on any date, in part or in full, upon 10 days' prior notice, subject to the payment of a prepayment fee. The prepayment fee is dependent on the amount of time left unexpired until the final maturity date. If the prepayment is a part prepayment, the minimum amount for prepayment will be £250,000. Prepayment whether or not on a Loan Payment Date must be accompanied by payment of all interest

payable in respect of the whole of the interest period in which the prepayment is made.

The Tranche A Loan and the Tranche B Loan ..... On 3rd June, 2003, MSDW Bank transferred a participation of £22,888,160 of principal amount of the Loan (the "**Tranche B Loan**") to another lender (the "**Tranche B Lender**"). MSDW Bank (in such capacity, the "**Tranche A Lender**") retained £304,001,840 of principal amount of the Loan (the "**Tranche A Loan**" and with the Tranche B Loan, each a "**Tranche**"). Pursuant to the terms of a priority and intercreditor agreement dated 3rd June, 2003 (the "**Priority and Intercreditor Agreement**") between MSDW Bank, the Tranche B Lender and MSMS as the Security Trustee, Servicer and Special Servicer, MSDW Bank and the Tranche B Lender have established the priorities of payment and subordination between the Tranche A Loan and the Tranche B Loan. Pursuant to the terms of an accession and novation agreement dated 5th June, 2003 (the "**Accession and Novation Agreement**") between MSDW Bank, the Issuer, the Tranche B Lender and MSMS as the Security Trustee, Servicer and Special Servicer, MSDW Bank transferred all of its rights and obligations under the Priority and Intercreditor Agreement to the Issuer.

The Priority and Intercreditor Agreement provides that all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to MSDW Bank owing under the Tranche A Loan shall rank in relation to all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to the Tranche B Lender owing under the Tranche B Loan in accordance with the Priority and Intercreditor Agreement.

Interest on the Tranche A Loan and Tranche B Loan:

The interest rate applicable to the Tranche A Loan and the Tranche B Loan from time to time will be calculated as follows:

The interest rate on the Tranche A Loan (the "**Tranche A Coupon**") on any Interest Payment Date shall be:

$$C_{Ap} = ((B_p * C_p) - (B_{Bp} * C_{Bp}))/B_{Ap} + XSE_p$$

and

the interest rate on the Tranche B Loan (the "**Tranche B Coupon**") on any Interest Payment Date shall be:

$$C_{Bp} = 9.25\% - \max(0, (30\% - (B_p / B_{p=0})) * 20\%) - XSE_p$$

where:

C_p is the interest rate on the Loan (as determined pursuant to the Credit Agreement) at period p;

C_{Ap} is the Tranche A Coupon of the Tranche A Loan at period p, provided that such number shall never be less than zero per cent.;

C_{Bp} is the Tranche B Coupon of the Tranche B Loan at period p, provided that such number shall never be less than zero per cent.;

B_p is the Principal Amount Outstanding of the Loan at period p;

B_{Ap} is the Principal Amount Outstanding of the Tranche A Loan at period p;

B_{Bp} is the Principal Amount Outstanding of the Tranche B Loan at period p;

$B_{p=0}$ is the principal balance of the Loan as at the Closing Date (£326,890,000); and

XSE_p are any accrued and unpaid Extraordinary Servicing Expenses as at period p, which will be expressed as a rate based on the period and the Principal Amount Outstanding of the relevant Tranche as at such period.

"**Extraordinary Servicing Expenses**" means the aggregate of any Servicing Fees, Special Servicing Fees, Liquidation Fees and related servicing expenses, if any, in excess of the rate of 0.10 per cent. per annum (exclusive of VAT) of the aggregate outstanding principal balance of the Loan (whether Special Servicing Fees or any Liquidation Fees) due or overdue to any special servicer under the Servicing Agreement and in respect of the Loan for any Loan Payment Date which will be due and payable by the Issuer.

Payments of interest and principal on the Tranche A Loan and Tranche B Loan prior to enforcement of the Notes:

On each Loan Payment Date, the Security Trustee will determine which amounts received into the Tranching Account from the Rent Account comprise amounts paid from the Rent Account to the Tranching Account in respect of interest paid pursuant to the Credit Agreement ("**Loan Interest Receipts**") and which amounts comprise repayment instalments paid by the Borrower pursuant to the Credit Agreement and any other amounts paid from the Rent Account to the Tranching Account in respect of principal on the Loan ("**Loan Principal Receipts**").

(A) Payments of interest

On each Loan Payment Date occurring prior to the service of a Note Enforcement Notice, the Security Trustee shall apply monies in respect of Loan Interest Receipts standing to the credit of the Tranching Account on such date in or towards the following items (and, if the credit balance in the Tranching Account is insufficient to pay all those items, in the following order):

(i) first, in payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders under the Credit Agreement and/or unpaid fees, costs and expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the

Security Trustee) under the Finance Documents which are due to them but are unpaid provided such have been notified to the Borrower not less than 5 Business Days in advance;

(ii) secondly, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) to the Tranche A Lender under the Finance Documents and insofar as such relates or is attributable to the Tranche A Loan (and, for this purpose, interest accrued and payable on the Tranche A Loan shall be calculated at the Tranche A Coupon);

(iii) thirdly, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) to the Tranche B Lender under the Finance Documents and insofar as such relates or is attributable to the Tranche B Loan (and, for this purpose, interest accrued and payable on the Tranche B Loan shall be calculated at the Tranche B Coupon); and

(iv) fourthly, any excess amounts of Loan Interest Receipts outstanding on such Loan Payment Date, as applicable, to the Tranche A Lender.

(B) Payments of principal (other than from the sale of a Property)

On each Loan Payment Date occurring prior to the service of a Note Enforcement Notice, the Security Trustee shall apply monies in respect of Loan Principal Receipts standing to the credit of the Tranching Account on such date in or towards the following items (and, if the credit balance in the Tranching Account is insufficient to pay all those items, in the following order):

(i) first, to the extent not previously paid, in payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders under the Credit Agreement and/or unpaid fees, costs and expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the Security Trustee) under the Finance Documents which are due to them but are unpaid provided such have been notified to the Borrower not less than 5 Business Days in advance;

(ii) secondly, in repaying principal on the Tranche A Loan until the date all of the Tranche A Liabilities have been discharged in full; and

(iii) thirdly, in repaying principal on the Tranche B Loan until the date all of the Tranche B Liabilities have been discharged in full.

(C) Payments from the sale of a Property

Prior to the service of a Note Enforcement Notice, all Loan Available Release Sum Funds (as defined below) shall be applied from the Sales Account by the Security Trustee as follows:

(i) Loan Release Sum Sequential Available Funds (as defined below) will be applied (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), in the following order of priority:

(A) first, to the Tranche A Lender, in repaying principal on the Tranche A Loan, until the Tranche A Liabilities have been discharged in full; and

(B) second, to the Tranche B Lender, in repaying principal on the Tranche B Loan, until the Tranche B Liabilities have been discharged in full; and

(ii) any Loan Release Sum Pro Rata Available Funds (as defined below) will be applied on each Loan Payment Date in repaying, *pari passu* and *pro rata*, principal on the Tranche A Loan and the Tranche B Loan, in proportion to the principal amount outstanding of each Tranche after application of the Loan Release Sum Sequential Available Funds on each Loan Payment Date.

"**Lenders**" means the lenders from time to time under the Credit Agreement, which shall, prior to the Closing Date, be the Originator and the Tranche B Lender and, following the sale of the Tranche A Loan on the Closing Date, be either of the Issuer and the Tranche B Lender respectively.

"**Loan Available Release Sum Funds**" means, as of any Loan Payment Date, any Release Sum amounts standing to the credit of the Sales Account to be applied on such date by way of prepayment of the Loan (after deduction of any applicable prepayment fees and breakage costs payable pursuant to the Credit Agreement). "**Loan Release Sum Sequential Available Funds**" means an amount, (A) so long as there is no default subsisting under the Loan and if the aggregate principal amount outstanding of the Loan is greater than 50 per cent. of £326,890,000, equal to (1) the product of 15 over 115, multiplied by (2) any Loan Available Release Sum Funds and (B) if there is a default subsisting under the Loan (but no Note Enforcement Notice has yet been served) or if the aggregate principal amount outstanding of the Loan is equal to or less than 50 per cent. of £326,890,000, 100 per cent. of any Loan Available Release Sum Funds. "**Loan Release Sum Pro Rata Available Funds**" means an amount, so long as there is no default subsisting under the Loan and if the aggregate principal amount outstanding of the Loan (after the application of any Loan Release Sum Sequential Available Funds) is greater than 50 per cent. of £326,890,000, equal to (A) the product of 100 over 115, multiplied by (B) any Loan Available Release Sum Funds and shall otherwise mean zero.

A "**Release Sum**" is an amount received should the Borrower, pursuant to the Credit Agreement, sell or dispose of any Property for a premium equal to its full open market value whereupon it is required to pay an amount equal to 115 per cent. of the amount initially lent against that Property together with an amount calculated by the Security Trustee as related losses and expenses (but excluding any prepayment fees received in connection therewith).

"**Tranche A Liabilities**" means all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to the Tranche A Lender pursuant to the Priority and Intercreditor Agreement.

"**Tranche B Liabilities**" means all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to the Tranche B Lender pursuant to the Priority and Intercreditor Agreement.

Payments on the Tranche A Loan and Tranche B Loan after enforcement of the Notes:

On or after the date a Note Enforcement Notice has been served, the Security Trustee shall apply all monies received by it under the Loan in the following order of priority (and if the monies received are insufficient to pay all those items, in the following order of priority):

(a) firstly, in or towards payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders under the Credit Agreement and related finance documents and/or all costs, fees, expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the Security Trustee) in connection with the Loan and the enforcement and realisation of the security created by the same;

(b) secondly, in or towards payment of all fees (but not including any prepayment fees) and other amounts (not being interest on or principal of the Loan) required to service the Loan and enforce the security, which is specified in the Credit Agreement as being payable by the Borrower to the Lenders pursuant to the Credit Agreement which shall be paid to the Tranche A Lender alone;

(c) thirdly, interest due or overdue (and all interest due on such overdue interest) on the Tranche A Loan;

(d) fourthly, all amounts of principal due or overdue on the Tranche A Loan and all other amounts due in respect of the Tranche A Loan until the Tranche A Liabilities have been discharged in full;

(e) fifthly, interest due or overdue (and all interest due on such overdue interest) on the Tranche B Loan;

(f) sixthly, all amounts of principal due or overdue on the Tranche B Loan and all other amounts due in respect of the Tranche B Loan until the Tranche B Liabilities have been discharged in full;

(g) seventhly, in or towards payment of all Prepayment Fees under the Credit Agreement which shall be paid to the Tranche A Lender; and

(h) eighthly, the balance to be paid to the person or persons entitled to the same.

Cure rights of the Tranche B Lender:

The Tranche B Lender has a right to cure an event of default under the Loan within 5 days after such event of default by paying into the Tranching Account on the applicable Loan Payment Date all amounts owing to the Security Trustee and the Tranche A Lender on such Loan Payment Date. However, the Tranche B Lender's right to cure an event of default under the Loan shall in the aggregate be limited to two such cure events over the life of the Loan for so long as (a) any Tranche A Liabilities are outstanding; (b) no single cure exceeds six consecutive months; and (c) the Tranche B Lender does not exercise another such cure event for at least three months after the expiration of the previous cure event. The Tranche A Lender shall not be able to enforce the Loan for so long as the Tranche B Lender has made a such cure payment(s), subject to timing and duration limitations as described in the preceding sentence. At any other time, such cure rights do not limit, *inter alios*, the Tranche A Lender's or the Security Trustee's rights to enforce the Loan and the Related Security at such other time.

Tranche B Lender's right to purchase the Tranche A Loan:

In addition, the Tranche B Lender has a right to purchase the Tranche A Loan and the Related Security on any date on which either (a) the aggregate principal amount outstanding of the Loan is (or will be, following the application of payments on such Loan Payment Date as set forth above) less than £32,689,000, or (b) an event of default has occurred under the Credit Agreement and the Loan is a Specially Serviced Loan.

For a further description of the Priority and Intercreditor Agreement, see "The Loan and the Related Security — The Tranche A Loan and Tranche B Loan".

Representations and Warranties ..... The loan sale agreement (the "**Loan Sale Agreement**") pursuant to which the Issuer will purchase the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust from MSDW Bank, contains certain warranties given by MSDW Bank in respect of the Tranche A Loan and the Related Security which are summarised in "The Loan and the Related Security — Representations and Warranties". MSDW Bank will be required (should the Issuer exercise this right), in the event that there has been a material breach of any such warranty by MSDW Bank which breach (if capable of remedy) has not been remedied within the time specified in the Loan Sale Agreement, to repurchase the Tranche A Loan together with the beneficial interest in the Security Trust. The consideration for such repurchase shall be the principal amount of the Tranche A Loan together with an amount in respect of accrued and unpaid interest. Any such repurchase would result in a redemption of the Notes in accordance with Condition 6(*b*).

The Loan Security ..... The Borrower has executed a debenture over all of its assets in favour of the Security Trustee as security for the Borrower's obligations under the Loan and other liabilities owing from time to time to the lenders (the "**Debenture**") in favour of the Security Trustee. In addition, the following "**Supplementary Debentures**" have been created: (i) the Mortgagors have executed separate debentures containing a first fixed charge (save in one case which

contains a second fixed charge) over the Mortgagors' interests in the Properties together with a floating charge over all its assets other than those subject to the fixed charge; and (ii) MTL Jersey Co has also executed a debenture creating first fixed and floating charges over its assets (other than Jersey-situs assets to which a floating charge will not apply).

The Loan is secured by first legal mortgages over the Properties (save in one case where a second legal mortgage has been granted). Security for the Loan also includes the benefit of a subordination agreement under which any other debt of the Borrower to Chambercroft (as shareholder of and subordinated lender to the Borrower) and various subsidiaries of Chambercroft (as subordinated lenders to the Borrower) is subordinated to MSDW Bank and the Tranche B Lender (the "**Subordination Agreement**"), a Duty of Care Agreement entered into by Industrious Asset Management Limited ("**IAM**") in relation to the management (including the collection of rental income) of the Properties (the "**Duty of Care Agreement**"), charges over or security interests in (i) the shares of MTLGP and MTL Jersey Co (by way of possessory security in the shares, and assignment of all related distribution rights) and (ii) the shares of Industrious (Fradley) (the "**Share Charges**"). MTL Jersey Co has also agreed to grant a security interest in respect of its limited partnership interest in MTLJLP, conditional upon a material adverse change in the position of the Borrower or an event of default under the Credit Agreement occurring (the "**Guarantee and Security Interest Agreement**"). The Debenture, Supplementary Debentures, Subordination Agreement, Duty of Care Agreement, Share Charges, the Guarantee and Security Interest Agreement (in respect of any security which may be created pursuant thereto) and/or any other security (the beneficial interest in which is to be acquired on the Closing Date by the Issuer) are referred to herein as the "**Related Security**".

Further Advances ..... Neither the Issuer nor the Tranche B Lender are required to make any further advance to the Borrower. The Servicer is not permitted under the Servicing Agreement, subject to the terms thereof, to agree to an amendment of the terms of the Loan that would require any lender to make a further advance to the Borrower.

Insurance ..... Each Property is covered by a buildings insurance policy maintained by the Borrower or another person with an appropriate insurable interest in the relevant Property. MSMS's interest in its capacity as Security Trustee has been noted or is in the course of being noted on such policy or its interest is included in the relevant policy under a "*general interest noted*" provision (any such interest will be held on trust for the Issuer and the Tranche B Lender pursuant to the terms of the Security Trust).

For a more detailed description of the insurance arrangements and the risks in relation thereto see "Risk Factors — Insurance" and "The Loan and the Related Security — Insurance". For a description of the Servicer's responsibilities regarding the maintenance of insurance see "Servicing — Insurance".

Management ..... The management of the Properties is undertaken by Industrious Asset Management Limited ("**IAM**"), a wholly owned Jersey incorporated subsidiary of Industrious. IAM has entered into the

Duty of Care Agreement in favour of MSDW Bank, the Tranche B Lender and the Security Trustee in relation to its management of the Properties. It is possible, in the future, that IAM may undertake the management business through a new English subsidiary and/or that a majority of its issued share capital will be sold. However, no date is available in this respect. For a more detailed description of the management of the Properties see "The Property Portfolio — Management".

The Notes

Status and Form ..... The Notes will be constituted by the Trust Deed. The Notes of each class will rank *pari passu* without any preference or priority among themselves.

The Notes will all share the same security, but, in the event of the security being enforced, the Class A Notes will rank higher in priority to the Class B Notes, the Class B Notes will rank higher in priority to the Class C Notes, the Class C Notes will rank higher in priority to the Class D Notes and the Class D Notes will rank higher in priority to the Class E Notes.

Definitive Notes will be issued in registered form only in certain limited circumstances (see "Terms and Conditions of the Notes — Definitive Notes" and "Description of the Notes and the Depository Agreement"). So long as the Notes are held by the Depository in global form, the Depository will be deemed for all purposes to be the owner of such Notes and will be entitled to receive all principal, premium (if any), interest and other amounts payable in respect of the Notes but will, for the purposes of forming a quorum for meetings, be deemed to constitute two persons.

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**"), the holders of the Class C Notes (the "**Class C Noteholders**"), the holders of the Class D Notes (the "**Class D Noteholders**") and the holders of the Class E Notes (the "**Class E Noteholders**" and, together with the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the "**Noteholders**"), but where there is, in the Trustee's opinion, a conflict between such interests, the Trustee will be required to have regard only to the interests of the holders of the most senior class of Notes then outstanding.

Certain Noteholders are restricted in their ability to pass Extraordinary Resolutions. See "Terms and Conditions of the Notes — Condition 3(*A*)(d) and Condition 12".

Limited Recourse ..... Claims against the Issuer by Noteholders will be limited to the Issuer Security. The proceeds of realisation of the Issuer Security may after paying or providing for all prior-ranking claims be less than the sums due to Noteholders or certain of the Noteholders. See "Security for the Notes" below.

Interest ..... Each Note will bear interest on its Principal Amount Outstanding (as defined in Condition 6(*e*)) from, and including, the Closing Date. Interest will be payable in respect of the Notes in pounds sterling (or,

in the case of the Class B Notes, dollars) quarterly in arrear on the 25th day in January, April, July and October in each year or, if such day is not a Business Day, the next following Business Day (unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each such day being an "**Interest Payment Date**"). The first Interest Payment Date in respect of each class of Notes will be the Interest Payment Date falling in July 2003.

Interest payments will be made subject to applicable withholding or deduction for or on account of tax (if any), without the Issuer being obliged to pay additional amounts in respect of any such withholding or deduction.

The interest rate applicable to the Notes from time to time will be LIBOR for three-month sterling deposits or, in the case of the Class B Notes, three-month dollar deposits (save, in the case of the first Interest Period, a rate determined by the linear interpolation for one and two month sterling or dollar deposits, as the case may be) plus the Relevant Margin. The "**Relevant Margin**" in respect of each class of Notes will be:

Class	*Relevant Margin*
A	*0.45 per cent. per annum*
B	*0.45 per cent. per annum*
C	*0.70 per cent. per annum*
D	*1.00 per cent. per annum*
E	*2.10 per cent. per annum*

Whenever it is necessary to compute an amount of interest in respect of any of the Notes for any period, such interest will be calculated on the basis of actual days elapsed and a 365-day year, save in the case of the Class B Notes when it will be calculated on the basis of actual days elapsed and a 360-day year.

Failure by the Issuer to pay interest on the most senior class of Notes which is still outstanding when due and payable will result in an Event of Default (as defined in Condition 10) which may result in the Trustee enforcing the Issuer Security. To the extent that funds available to the Issuer on any Interest Payment Date, after paying any interest then accrued due and payable on the most senior class or classes of Notes then outstanding, are insufficient to pay in full interest otherwise due on any one or more classes of more junior-ranking Notes then outstanding, the shortfall in the amount then due will not be paid but will only be paid in accordance with the order of seniority of the affected classes of Notes on subsequent Interest Payment Dates if and when permitted by subsequent cash flow which is available after the Issuer's other higher priority liabilities have been discharged (except, in the case of the Class E Notes, subject as described below). The Issuer's obligation to pay interest in respect of the Class E Notes is limited, on each Interest Payment Date, to an amount equal to the lesser of (a) the Interest Amount (as defined in Condition 5(*d*)) in respect of the Class E Notes for that Interest Payment Date, and (b) the Adjusted Interest Amount (as defined in Condition 5(*i*)).

Principal Amount Outstanding ..... The "**Principal Amount Outstanding**" of a Note or of a Tranche on any date will be its original face amount or its original loan amount, respectively, less (a) the aggregate amount of principal repayments that have been paid in respect of that Note or Tranche and (b) in the case of a Note, an amount equal to the sum of Applicable Principal Losses applied to the relevant Note.

Principal Final Redemption ..... Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in October 2011 (the "**Maturity Date**").

Mandatory Redemption in Part ..... Unless a Note Enforcement Notice has been served, the Notes will be subject to mandatory redemption in part in the manner described in "Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — Available Principal" below, including upon the Servicer or the Special Servicer exercising its right to purchase the Loan in certain limited circumstances pursuant to the Servicing Agreement, or the Tranche B Lender exercising its right to purchase the Loan pursuant to the Priority and Intercreditor Agreement. See further "Terms and Conditions of the Notes — Condition 6*(b)*".

Mandatory Redemption in Full ..... The Notes will be subject to mandatory redemption in full in the following circumstances:

(a) if the Issuer satisfies the Trustee that (i) by virtue of a change in tax law from that in effect on the Closing Date the Issuer will be obliged to make any withholding or deduction from payments in respect of the Notes and such requirement cannot be avoided by the Issuer taking reasonable measures available to it or (ii) by virtue of a change in law from that in effect on the Closing Date any amount payable by the Borrower in relation to the Loan is reduced or ceases to be receivable (whether or not actually received); or

(b) if the Interest Rate Swap Transaction is terminated by reason of the occurrence of a Tax Event under the Interest Rate Swap Agreement and (i) the Issuer cannot avoid such Tax Event by taking reasonable measures available to it, (ii) the Interest Rate Swap Provider is unable to transfer its rights and obligations thereunder to another branch, office or affiliate to cure the Tax Event, and (iii) the Issuer is unable to find a replacement swap provider for the Interest Rate Swap Agreement (the Issuer being obliged to use reasonable efforts to find such a replacement swap provider),

provided further, that in either case the Issuer has certified to the Trustee that it either (i) will have sufficient funds available to it on the relevant Interest Payment Date to discharge all of its liabilities in respect of the Notes and any amounts required under the Deed of Charge and Assignment to be paid in priority to, or *pari passu* with, the Notes on such Interest Payment Date, all in accordance with "Available Funds and their Priority of Application — Payments out of the Transaction Account Prior to Enforcement of the Notes" below or (ii) will have sufficient funds to discharge all of the amounts referred to in (i) above, other than such sufficient funds in respect of the lowest class of Notes then outstanding, and that the Issuer has the

written consent of the Trustee to redemption at such lower amount and the consent of all the Noteholders of such lowest class of Notes to the redemption of such Notes at such lower amount. See further "Terms and Conditions of the Notes — Conditions 6(c) and 6(d)".

Ratings ..... The Notes are, upon issue, expected to be rated by the Rating Agencies as follows:

Expected Rating

Class	*Fitch*	*Moody's*	*S&P*
A	AAA	Aaa	AAA
B	AAA	–	AAA
C	AA	–	AA
D	A	–	A
E	BBB	–	BBB

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating agencies. The ratings from the Rating Agencies only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Maturity Date and do not address the likelihood of receipt by any Noteholder of principal prior to the Maturity Date. Furthermore, the ratings on the Notes only address the credit risks associated with the underlying transaction and do not address the non-credit risks which may have a significant effect on the receipt by Noteholders of interest and principal.

The ratings of the Notes are dependent upon, among other things, the short term or long term, as applicable, unsecured, unsubordinated debt ratings of the Liquidity Facility Provider and the Interest Rate Swap Guarantor and, in the case of the Class B Notes, the FX Swap Provider. Consequently, a qualification, downgrade or withdrawal of any such rating by a Rating Agency may have an adverse effect on the ratings of the Notes.

Sales Restrictions ..... The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities law and unless so registered may not be offered or sold within the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state securities laws. Accordingly, the Notes are being offered and sold only to (A) "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) and (B) persons (other than U.S. persons) outside the United States pursuant to Regulation S under the Securities Act. For a description of certain restrictions on resales or transfers of the Notes, see "Transfer Restrictions".

Listing ..... Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange.

Settlement ..... DTC, Euroclear and Clearstream, Luxembourg.

Governing Law ..... The Notes and the Trust Deed will be governed by English law.

Available Funds and their Priority of Application

The payment of principal and interest by the Borrower in respect of the Tranche A Loan will provide the principal source of funds for the Issuer to make repayments of principal and payments of interest in respect of the Notes.

Funds paid into the Transaction Account ..... On or shortly after each Loan Payment Date, the Security Trustee, acting on information provided by the Servicer, will transfer from the Rent Account to the Tranching Account, and immediately thereafter to the Transaction Account, an amount in respect of interest, principal and fees and other amounts then due and payable in respect of the Tranche A Loan. Amounts standing to the credit of the Transaction Account from time to time are referable to, *inter alia*, the following sources:

(a) "***Borrower Interest Receipts***", comprising all payments of interest, fees (other than Prepayment Fees, Release Sum Funds and any other amounts received as a result of any prepayment of the Tranche A Loan (other than interest on the Tranche A Loan)), breakage costs (other than any Interest Rate Swap Breakage Receipts), if any, expenses, commissions and other sums paid by the Borrower in respect of the Tranche A Loan or the Related Security (other than any payments in respect of principal), including recoveries in respect of such amounts on enforcement of the Loan or the Related Security;

(b) "***Amortisation Funds***", comprising all principal received in respect of the Tranche A Loan and the Related Security other than Prepayment Redemption Funds, Final Redemption Funds, Principal Recovery Funds and Release Sum Funds;

(c) "***Prepayment Redemption Funds***", comprising all payments in respect of principal (but excluding any Principal Recovery Funds, any Prepayment Fees and any Release Sum Funds) received as a result of (i) any prepayment in part or in full of the Tranche A Loan (including upon the receipt of insurance proceeds not applied prior to the final maturity of the Loan), (ii) the repurchase of the Tranche A Loan by MSDW Bank pursuant to the Loan Sale Agreement or (iii) the purchase of the Loan by the Servicer or the Special Servicer pursuant to the Servicing Agreement;

(d) "***Final Redemption Funds***", comprising all principal payments received on the Tranche A Loan as a result of the repayment of the Loan upon its scheduled final maturity date;

(e) "***Principal Recovery Funds***", comprising all amounts recovered in respect of principal of the Tranche A Loan as a result of the enforcement of the Loan or the Related Security;

(f) "***Prepayment Fees***", comprising all fees and costs (except for breakage costs and any Release Sum (but including, for

the avoidance of doubt, any prepayment fees received in connection with the receipt of any Release Sum Funds), if any) received by the Issuer as a result of any prepayment in part or full of the Loan, including any such fees arising from a prepayment following the enforcement of the Loan or the Related Security;

(g) "***Interest Rate Swap Breakage Receipts***", comprising all amounts paid to the Issuer under the Interest Rate Swap Agreement as a result of the termination thereof;

(h) "***Release Sum Funds***", comprising all payments received on the Tranche A Loan as a result of any prepayment (including whilst the Loan is in default, but excluding any Principal Recovery Funds) in respect of Release Sum amounts.

Prepayment Fees will not be included in the calculation of Borrower Interest Receipts at any time. Prepayment Fees received during any Collection Period (the "**Prepayment Amount**" in respect of that Collection Period) will be paid to MSDW Bank (or, in the event that the right to such amounts has been assigned to a third party, to the person then entitled to them) on the immediately following Interest Payment Date as a component of the Deferred Consideration then payable.

Payments out of the Swap Collateral Cash Accounts and the Swap Collateral Custody Accounts prior to Enforcement of the Notes .....If the Swap Collateral Cash Accounts and/or the Swap Collateral Custody Accounts are opened in respect of the Interest Rate Swap Transaction and/or the FX Swap Transaction, the Cash Manager will pay to the relevant Swap Provider amounts equal to any amounts of interest on the credit balance of the relevant Swap Collateral Cash Account and/or amounts equivalent to distributions received on securities held in the related Swap Collateral Custody Account as well as any other payments required to be made by the Issuer in accordance with the terms of the relevant Swap Agreement Credit Support Document in priority to any other payment obligations of the Issuer.

Payments out of the Transaction Account prior to Enforcement of the Notes

(a) ***Priority Amounts*** .....The Cash Manager shall, prior to the service of a Note Enforcement Notice, make the following payments out of the Transaction Account in priority to all other amounts required to be paid by the Issuer:

(i) out of Borrower Interest Receipts and, where Borrower Interest Receipts are insufficient, out of the aggregate of Amortisation Funds, Prepayment Redemption Funds, Final Redemption Funds, Principal Recovery Funds, Release Sum Funds (such aggregate amount comprising the "**Borrower Principal Receipts**"), sums due to third parties (other than the Servicer, the Special Servicer, the Liquidity Facility Provider, the Interest Rate Swap Provider, the FX Swap Provider, MSDW Bank, the Cash Manager, the Corporate Services Provider, the Trustee, the Share Trustee, the

Security Trustee, any receiver appointed by or on behalf of the Trustee or, as the case may be, the Security Trustee in respect of the Loan or the beneficial interest in the Security Trust created over the Related Security, the Principal Paying Agent, the Agent Bank, the Exchange Agent, the Depository or the Operating Bank), including the Issuer's liability, if any, to corporation tax and/or value added tax, on a date other than an Interest Payment Date under obligations incurred in the course of the Issuer's business;

(ii) out of Borrower Interest Receipts, when due, any amount of interest payable by the Issuer to MSDW Bank or to the Servicer (such amounts, together with any amounts described in paragraph (i), being "**Revenue Priority Amounts**"); and

(iii) out of Borrower Principal Receipts, when due, any amount of principal payable by the Issuer to MSDW Bank or to the Servicer ("**Principal Priority Amounts**").

Revenue Priority Amounts and/or Principal Priority Amounts payable to MSDW Bank will occur where there has been a material breach of warranty under the Loan Sale Agreement and MSDW Bank has repurchased the Tranche A Loan. Revenue Priority Amounts and/or Principal Priority Amounts payable to the Servicer will also occur where the Servicer has purchased the Loan pursuant to the Servicing Agreement. Revenue Priority Amounts and Principal Priority Amounts are any monies received by or on behalf of the Issuer following the repurchase or purchase of the Tranche A Loan, as the case may be, which do not belong to the Issuer, notwithstanding that the Security Trustee will hold the Related Security on trust for MSDW Bank following the repurchase of the Tranche A Loan by MSDW Bank or for the Servicer or the Special Servicer following the purchase of the Tranche A Loan by the Servicer or the Special Servicer, as applicable. The funds received by the Issuer on the repurchase of the Tranche A Loan by MSDW Bank or the purchase of the Tranche A Loan by the Servicer or the Special Servicer will be classified as Prepayment Redemption Funds and will be applied by the Issuer to redeem the Notes in part in accordance with Condition 6(*b*). If any Swap Agreement terminates, either party under such relevant Swap Agreement may be required to make a termination payment to the other.

Revenue Priority Amounts and Principal Priority Amounts will be paid in sterling using funds standing to the credit of the Transaction Account.

(b) ***Available Interest Receipts*** ..... On each Interest Payment Date prior to the service of a Note Enforcement Notice, the Issuer or the Interest Rate Swap Provider, as the case may be, will make any relevant payment then due and payable pursuant to the Interest Rate Swap Agreement. Then, on each such Interest Payment Date, (i) all Borrower Interest Receipts transferred by the Security Trustee, acting upon information provided by the Servicer, into the Transaction Account during the Collection Period ended immediately before such Interest Payment Date (net of any Borrower Interest Receipts applied during such Collection Period in payment of any of the amounts referred to in "Priority Amounts" above or applied to make any relevant payment

pursuant to the Interest Rate Swap Agreement on such date); (ii) any payments received by the Issuer under the Interest Rate Swap Transaction or the Interest Rate Swap Guarantee, including any Interest Rate Swap Breakage Receipts which comprise (x) any Interest Rate Swap Breakage Receipts paid to the Issuer following an early termination of the Interest Rate Swap Agreement as a result of an event of default where the Interest Rate Swap Provider was the Defaulting Party (as defined in the Interest Rate Swap Agreement) or (y) any Interest Rate Swap Breakage Receipts paid to the Issuer following any default under the Loan, *provided* that Available Interest Receipts shall not include amounts received by the Issuer in respect of (A) any amounts provided by the Interest Rate Swap Provider by way of collateral pursuant to the Interest Rate Swap Agreement Credit Support Document and (B) any other Interest Rate Swap Breakage Receipts which do not comprise (x) any Interest Rate Swap Breakage Receipts paid to the Issuer following an early termination of the Interest Rate Swap Agreement as a result of an event of default where the Interest Rate Swap Provider was the Defaulting Party (as defined in the Interest Rate Swap Agreement) or (y) any Interest Rate Swap Breakage Receipts paid to the Issuer following any default under the Loan; (iii) an amount equal to the Liquidation Fee, if any, payable on such Interest Payment Date; (iv) the proceeds of any Interest Drawing or Accrued Interest Drawing made under and in accordance with the Liquidity Facility Agreement in respect of such Interest Payment Date; and (v) any interest accrued upon and paid to the Issuer on the Issuer's Accounts and the Stand-by Account, (such amounts being, collectively, the "**Available Interest Receipts**", in respect of such Interest Payment Date, and as determined by the Cash Manager on the basis of, *inter alia*, information provided by the Servicer) will be applied in the following order of priority (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge and Assignment:

(i) in or towards payment or discharge of any amounts due and payable by the Issuer on such Interest Payment Date to (A) the Trustee, the Security Trustee and any receiver appointed by or on behalf of the Trustee or the Security Trustee under the Loan or the beneficial interest in the Security Trust created over the Related Security, *pari passu* and *pro rata*; then (B) the Paying Agents and the Agent Bank under the Agency Agreement; then (C) *pari passu* and *pro rata,* any amounts due to the Servicer and the Special Servicer pursuant to the Servicing Agreement (including the Servicing Fee, the Special Servicing Fee and the Liquidation Fee); then (D) the Cash Manager under the Cash Management Agreement; then (E) the Corporate Services Provider under the Corporate Services Agreement; then (F) the Share Trustee under the Declaration of Trust; then (G) the Operating Bank under the Cash Management Agreement; then (H) the Depository under the Depository Agreement; then (I) the Exchange Agent under the Exchange Rate Agency Agreement; then (J) the Interest Rate Swap Provider under the Interest Rate Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of the Interest Rate Swap Transaction under the Interest Rate Swap Agreement (other than payments to be made by the Issuer referred to in (viii)

below) and then (K) the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement in respect of any drawings (other than any repayments of Principal Drawings) made by the Issuer under the Liquidity Facility Agreement and the commitment fee (except to the extent that the commitment fee has been increased pursuant to the imposition of increased costs on the Liquidity Facility Provider), and any Mandatory Costs (as defined in the Definitions Agreement) up to a maximum aggregate amount of 0.125 per cent. per annum as provided in the Liquidity Facility Agreement;

(ii) in or towards payment or discharge of sums due to third parties (other than payments made to any third party as described in item (i) of "Priority Amounts" above) under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to come due in the following Interest Period (as defined in Condition 5(*b*)) and the payment of the Issuer's liability (if any) to value added tax and to corporation tax;

(iii) in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class A Notes;

(iv) in or towards payment or discharge of amounts due to the FX Swap Provider under the FX Swap Transaction (to enable payments to be made pursuant to the Class B Notes) in respect of interest payments;

(v) in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class C Notes;

(vi) in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class D Notes;

(vii) in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class E Notes (but not including any interest overdue (and any interest due on such overdue interest) on the Class E Notes with respect to any accrued interest in respect of any prepayment in part or in full made by the Borrower under the Tranche A Loan);

(viii) in or towards payment or discharge of any amounts due and payable by the Issuer on such Interest Payment Date to the Interest Rate Swap Provider under the Interest Rate Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of the Interest Rate Swap Transaction as a result of an event of default under the Interest Rate Swap Agreement in respect of which the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

(ix) in or towards payment or discharge of any amounts in respect of any Mandatory Costs due to the Liquidity Facility

Provider under the Liquidity Facility Agreement in excess of those amounts referred to under item (i)(K) above and any additional amounts payable to the Liquidity Facility Provider in respect of withholding taxes or increased costs as a result of a change in law or regulation, including, without limitation, any increase in the commitment fee payable to the Liquidity Facility Provider as a result of the imposition of increased costs;

(x) in or towards payment or discharge of any Deferred Consideration payable to MSDW Bank or the person or persons otherwise entitled thereto; and

(xi) any surplus to the Issuer.

(c) ***Available Principal***..... The Cash Manager is required, on the basis of information provided to it by the Servicer, to calculate on each Calculation Date in respect of the Collection Period then ended (1) the Available Amortisation Funds, the Available Prepayment Redemption Funds, the Available Principal Recovery Funds, the Available Interest Rate Swap Breakage Receipts, the Available Final Redemption Funds and the Available Release Sum Funds in respect of the Tranche A Loan (each as defined in Condition 6(*b*)) and (2) the Release Sum Sequential Available Funds and the Release Sum Pro Rata Available Funds (each as defined below) of the Available Release Sum Funds in respect of the Tranche A Loan.

"**Release Sum Sequential Available Funds**" means, on each Calculation Date whilst there is no default subsisting under the Loan, (i) when the aggregate Principal Amount Outstanding of all classes of Notes is greater than 50 per cent. of the aggregate Original Principal Amount (as defined in Condition 6(*b*)) of all classes of Notes, an amount equal to (A) the product of 15 over 115, multiplied by (B) any Available Release Sum Funds, or (ii) when the aggregate Principal Amount Outstanding of all classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to 100 per cent. of any Available Release Sum Funds.

"**Release Sum Pro Rata Available Funds**" means, on each Calculation Date whilst there is no default subsisting under the Loan, (i) when the aggregate Principal Amount Outstanding of all classes of Notes is greater than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to the product of 100 over 115, multiplied by any Available Release Sum Funds or (ii) when the aggregate Principal Amount Outstanding of all classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to 0 per cent. of any Available Release Sum Funds.

For the avoidance of doubt, on the Interest Payment Date on which the application of any Release Sum Pro Rata Available Funds would cause the aggregate Principal Amount Outstanding of all classes of Notes to be equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes after application of such amounts, the aggregate Release Sum Pro Rata Available Funds shall not exceed the amount required to cause the aggregate Principal Amount Outstanding of all classes of Notes to be equal to 50 per

cent. of the aggregate Original Principal Amount of all classes of Notes after application of such amounts.

The sum of the Release Sum Sequential Available Funds of any Available Release Sum Funds is referred to as the "**Release Sum Sequential Available Principal**" for the purposes of the Interest Payment Date immediately following such Calculation Date. The sum of the Release Sum Pro Rata Available Funds of any Available Release Sum Funds is referred to as the "**Release Sum Pro Rata Available Principal**" (and, together with the Release Sum Sequential Available Principal, the "**Release Sum Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date. If at any time there is a default subsisting under the Loan, but prior to the service of a Note Enforcement Notice, all Available Release Sum Funds shall be Sequential Available Principal (as defined below).

The sum of any Available Amortisation Funds, Available Principal Recovery Funds, Available Prepayment Redemption Funds, Available Interest Rate Swap Breakage Receipts, Available Final Redemption Funds and Available Release Sum Funds not comprising Release Sum Available Principal, as calculated on each Calculation Date, is collectively referred to as the "**Sequential Available Principal**" (and, together with the Release Sum Available Principal, the "**Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date.

I. Release Sum Available Principal

On each Interest Payment Date and prior to the service of a Note Enforcement Notice, any Release Sum Available Principal will be applied from the Transaction Account all as more fully set out in the Deed of Charge and Assignment, as follows:

(i) Release Sum Sequential Available Principal will be applied (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), in the following order of priority:

(A) in repaying principal on the Class A Notes until all of the Class A Notes have been redeemed in full;

(B) in payment to the FX Swap Provider under the FX Swap Transaction (to enable payment to be made pursuant to the Class B Notes) in respect of Release Sum Sequential Available Principal until all of the Class B Notes have been redeemed in full;

(C) in repaying principal on the Class C Notes until all of the Class C Notes have been redeemed in full;

(D) in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full; and

(E) in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full.

(ii) Release Sum Pro Rata Available Principal will be applied in repaying, *pari passu* and *pro rata*, principal on the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes. in proportion to the Principal Amount Outstanding of each such Class after application of the Release Sum Sequential Available Principal, until the earlier of (x) redemption of such class(es) of Notes in full or (y) the aggregate Principal Amount Outstanding of all classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes *provided*, that all amounts to be paid to the Class B Notes pursuant to this priority shall be paid to the Class A Notes instead, until the Class A Notes have been redeemed in full (or until the occurrence of (x) or (y) above); after the Class A Notes have been redeemed in full, any payments to the Class B Notes shall be paid to the Class B Notes, subject to (x) and (y) above.

II. Sequential Available Principal

Following application of any Release Sum Available Principal as set forth immediately above, the Sequential Available Principal will be applied from the Transaction Account in the following order of priority (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge and Assignment:

(i) in repaying or paying any amounts due or overdue in respect of the repayment of any Principal Drawings then outstanding, under and in accordance with the Liquidity Facility Agreement;

(ii) in repaying principal on the Class A Notes until all of the Class A Notes have been redeemed in full;

(iii) in payment to the FX Swap Provider under the FX Swap Transaction (to enable payment to be made pursuant to the Class B Notes) in respect of Sequential Available Principal, until all of the Class B Notes have been redeemed in full;

(iv) in repaying principal on the Class C Notes until all of the Class C Notes have been redeemed in full;

(v) in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full; and

(vi) in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full.

Any excess Available Principal remaining after application of the Release Sum Available Principal and Sequential Available Principal as set forth above, shall be applied from the Transaction Account in the following order of priority:

(i) first, in paying that component of the Deferred Consideration, if any, that comprises any excess Available Principal; and

(ii) secondly, any surplus to the Issuer.

See "Terms and Conditions of the Notes — Condition *6(b)*".

The Issuer will not be required to accumulate surplus assets as security for any future payments of interest or principal on the Notes. Any temporary liquidity surpluses in the Transaction Account will be invested in Eligible Investments.

Payments paid out of the Transaction Account

Post-Enforcement of the Notes ..... The Issuer Security will become enforceable upon the Trustee giving a Note Enforcement Notice. Following enforcement of the Issuer Security, the Trustee will be required to apply all funds received or recovered by it in accordance with the order of priority described under "Credit Structure — Post-Enforcement Priority of Payments".

Early Termination of the FX Swap Agreement ..... If, prior to the service of a Note Enforcement Notice, there is an early termination of the FX Swap Transaction, the Issuer will attempt to enter into a replacement FX Swap Transaction with a party (a "**Replacement FX Swap Provider**") that would have the effect of preserving for the Issuer the economic equivalent of any payments that would, but for the early termination of the FX Swap Transaction (assuming satisfaction of all applicable conditions precedent), have been required to be paid by the parties to the FX Swap Transaction for the remainder of the term thereof (such replacement swap transaction, a "**Replacement FX Swap Transaction**").

The amount payable by the Issuer to the FX Swap Provider upon an early termination of the FX Swap Transaction shall be limited to the amount received from any Replacement FX Swap Provider upon the entry into of a Replacement FX Swap Transaction. In the event that the Replacement FX Swap Provider makes a payment to the Issuer upon the entry into of a Replacement FX Swap Transaction, the Issuer shall apply such payment in making any early termination payment due from it to the FX Swap Provider.

If, following an early termination of the FX Swap, the Issuer would be required to make any payment to a Replacement FX Swap Provider to enter into a Replacement FX Swap Transaction, the Issuer will use (a) any funds standing to the credit of any FX Swap Cash Collateral Account or the proceeds of liquidation of any securities standing to the credit of the FX Swap Custody Collateral Account and (b) any FX Swap breakage receipts, in making the required payment to the Replacement FX Swap Provider Transaction. If the Issuer is unable to enter into a Replacement Swap Transaction, the Issuer shall purchase dollars in order to make payments due to the Class B Noteholders at the prevailing spot rate of exchange on the relevant payment date using only the amounts in sterling (being the maximum principal amount of £31,901,840) otherwise available for distribution to the Class B Noteholders. The Class B Noteholders shall have no recourse to the Issuer for such shortfall amounts in the amount of dollars available for such payments.

Security for the Notes

The obligations of the Issuer to the Noteholders and to each of the Trustee, the Security Trustee, any receiver appointed by or on behalf of the Trustee, or as the case may be, the Security Trustee in respect of the Loan or the beneficial interest in the Security Trust created over the Related Security, the Corporate Services Provider, the Share

Trustee, the Servicer, the Special Servicer, the Cash Manager, the Liquidity Facility Provider, the Interest Rate Swap Provider, the FX Swap Provider, the Paying Agents, the Agent Bank, the Registrar, the Operating Bank, the Depository, the Exchange Agent and MSDW Bank (all of such persons or entities being, collectively, the "**Secured Parties**") will be secured by and pursuant to a deed of charge and assignment (the "**Deed of Charge and Assignment**") governed by English law (or Jersey law in relation to the security created pursuant to item (iii) below) to be entered into on the Closing Date.

The Issuer will create, *inter alia*, the following security under the Deed of Charge and Assignment (the "**Issuer Security**"):

(i) an assignment by way of security over the Loan and the Issuer's rights under the Credit Agreement and the Priority and Intercreditor Agreement;

(ii) an assignment by way of security over the Issuer's beneficial interest in the Security Trust created over the Related Security;

(iii) an assignment under Jersey law by way of security over the Issuer's beneficial interest in the Security Trust created over the Related Security, and over the Issuer's rights and interest under, *inter alia*, all other contracts and agreements, to the extent that such security property is situated in Jersey and not otherwise assigned by way of security under (i) or (ii) above;

(iv) an assignment by way of security of the Issuer's rights under, *inter alia*, the Loan Sale Agreement, the Servicing Agreement, the Corporate Services Agreement, the Declaration of Trust, the Cash Management Agreement, the Agency Agreement, the Liquidity Facility Agreement, the Interest Rate Swap Agreement (subject to netting and set-off provisions contained therein), the FX Swap Agreement, the Interest Rate Swap Guarantee, each Swap Agreement Credit Support Document, the Depository Agreement, the Exchange Rate Agency Agreement, the Trust Deed and the Definitions Agreement;

(v) an assignment by way of security of the Issuer's interests in the Tranching Account, the Transaction Account, each Swap Collateral Cash Account (if and when opened), each Swap Collateral Custody Account (if and when opened), the Stand-by Account and any other bank account in which the Issuer may place and hold its cash resources, and of the funds from time to time standing to the credit of such accounts and any other Eligible Investments from time to time held by or on behalf of the Issuer; and

(vi) a floating charge governed by English law over the whole of the undertaking and assets of the Issuer (other than (A) any property or assets of the Issuer subject to an effective fixed security set out in paragraphs (i) to (v) above or (B) any Jersey-situs assets to which a floating charge will not apply).

Upon enforcement of the Issuer Security, the amounts payable to the Secured Parties (other than the Noteholders) will rank higher in priority to payments of interest or principal on the Class A Notes, except for amounts owed to MSDW Bank under the Loan Sale Agreement and any amounts due to the Liquidity Facility Provider and any Swap Provider as described in items (vii) and (viii), respectively of "Credit Structure — Post-Enforcement Priority of Payments". **Upon enforcement of the Issuer Security, all amounts owing to the Class B Noteholders will rank after all payments on the Class A Notes, all amounts owing to the Class C Noteholders will rank after all payments on the Class B Notes, all amounts owing to the Class D Noteholders will rank after all payments on the Class C Notes and all amounts owing to the Class E Noteholders will rank after all payments on the Class D Notes.**

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer will not be available for payment of any shortfall arising therefrom (which will be borne in accordance with the provisions of the Deed of Charge and Assignment). All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished and the Trustee, the Noteholders and the other Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that, except as set out above, (i) in the event of an enforcement of the Issuer Security, its right to obtain payment of interest and repayment of principal on the Notes is limited to recourse against the assets of the Issuer comprised in the Issuer Security, (ii) the Issuer will have duly and entirely fulfilled its repayment obligation by making available to the Noteholder its relevant proportion of the proceeds of realisation of, or enforcement with respect to, the Issuer Security in accordance with the Deed of Charge and Assignment, and all claims in respect of such shortfall will be extinguished, and (iii) if a shortfall in the amount owing in respect of principal of the Notes of any class exists on the Maturity Date of the Notes of any class, after payment on the Maturity Date of all other claims ranking higher in priority to the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at the Maturity Date, the liability of the Issuer to make any payment in respect of such shortfall will cease and all claims in respect of such shortfall will be extinguished.

RISK FACTORS

The following is a summary of certain issues of which prospective Noteholders should be aware, but it is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision. Some of the issues set out in this section are mitigated by certain representations and warranties which MSDW Bank will provide in the Loan Sale Agreement in relation to the Loan, the Tranche A Loan, the Related Security, the Properties and other associated matters (see further "The Loan and the Related Security — Representations and Warranties").

Factors Relating to the Loan

The Issuer's Ability to Meet its Obligations under the Notes: Default by the Borrower

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Borrower under the Loan and the Related Security, payments under the Swap Agreements and, where necessary and available, the Liquidity Facility Agreement. If, on default by the Borrower and following the exercise by the Servicer and Special Servicer of all available remedies in respect of the Loan and the Related Security (assuming that the Tranche B Lender is not exercising its cure right under the Loan as described under "The Loan and the Related Security — The Tranche A Loan and Tranche B Loan"), the Issuer does not receive the full amount due from the Borrower in respect of the Tranche A Loan, then Noteholders (or the holders of certain classes of Notes) may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes. The Issuer does not guarantee or warrant full and timely payment by the Borrower of any sums.

The Credit Agreement contains provisions requiring the Borrower to make a repayment of principal on the final maturity date of the Loan. The Borrower's ability to repay the Loan on final maturity may be dependent upon its ability to refinance the Loan or arrange for the sale of the Properties financed by the Loan. None of the Issuer, MSDW Bank nor the Tranche B Lender is under any obligation to provide any such refinancing and there can be no assurance that the Borrower would be able to refinance the Loan or that the Borrower would be able to arrange for the sale of the Properties.

Failure by the Borrower to refinance the Loan or to arrange for the sale of the Properties at final maturity may result in the Borrower defaulting on the Loan. Although losses from such a default will initially be borne by the Tranche B Lender, to the extent such losses exceed the outstanding principal balance of the Tranche B Loan, the Noteholders, or the holders of certain classes of Notes, may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes.

The Issuer's Ability to Meet its Obligations under the Notes: The Properties

The Loan will be secured by, amongst other things, first (second, in the case of one Property) ranking mortgages over the Properties and the repayment of the Loan in part may be, and the payment of interest on the Loan is, dependent on the ability of the Properties to produce cash flow. However, the income-producing capacity of the Properties may be adversely affected by a large number of factors. Some of these factors relate specifically to a Property or the Properties, such as: (i) the age, design and construction quality of the buildings located at a Property; (ii) perceptions regarding the safety, convenience and attractiveness of the buildings located at a Property; (iii) the proximity and attractiveness of competing industrial properties; (iv) the adequacy of the management and maintenance of the Properties; (v) increases in operating expenses; (vi) an increase in the capital expenditure needed to maintain the Properties or make improvements; (vii) a decline in the financial condition of a major tenant; (viii) an increase in vacancy rates; (ix) a decline in rental rates as leases are renewed or entered into with new tenants; (x) the length of tenant leases; and (xi) the creditworthiness of tenants.

Other factors are more general in nature, affecting the Properties as a whole, such as: (i) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (ii) local property conditions from time to time (such as an oversupply or under supply of space available for industrial tenants); (iii) demographic factors; (iv) consumer confidence; (v) retrospective changes in building codes or

other regulatory changes; (vi) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (vii) potential environmental legislation or liabilities or other legal liabilities; (viii) the availability of refinancing; and (ix) changes in interest rate levels or yields required by investors in income-producing industrial properties.

In particular, a decline in the industrial property market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources and may lead to higher risk of default. It should be noted that many of the Properties are let on a multi-tenanted basis and, as such, the Properties have a broad lease expiry profile with a number of leases expiring each year. At any time, between 8 to 10 per cent. of the space available on the Properties is typically vacant. In addition, Industrious has introduced a system known as "Flexilet" which, in return for higher lease payments and 15 per cent. fixed rent increases at three yearly intervals, allows tenants to determine leases more easily (usually upon three months' notice after the expiry of the first year of the term of the lease) and to limit their financial commitment under a lease. Rents under "Flexilet" leases are also inclusive of service charge, and Industrious for internal accounting purposes apportion part (up to 25 per cent.) towards the costs of providing relevant services (including insurance). In an economic downturn, such arrangements could lead to a sudden fall in levels of occupancy. Tenancies under Flexilet accounted, as at 28th February, 2003, for 8.6 per cent. of the net annual rental income. See "The Property Portfolio — Occupational Leases."

Any one or more of the above described factors could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property, which could in turn cause the Borrower to default on the Loan, reduce the chances of the Borrower refinancing the Loan or the Borrower's ability to arrange for the sale of a Property.

The Issuer's Ability to Meet its Obligations under the Notes: The Tenants

The Borrower's ability to make its payments under the Loan may also be dependent on payments being made by the tenants of the Properties. Where a Mortgagor as landlord is in default of its obligations under a tenancy, a right of set-off could be exercised by a tenant of the relevant Property in respect of its rental obligations. In respect of a multi-tenanted Property, the landlord is normally obliged to provide services in respect of a Property irrespective of whether certain parts of the Property are unlet. The Mortgagor landlord, in such circumstances, would have to meet any shortfall in recovering the costs of the services or risk the tenants exercising any right of set-off. Tenants' rights of set-off and similar equities, which accrue until such time as the Security Trustee takes possession following enforcement, will also be binding on the Security Trustee as mortgagee following the Closing Date.

In order to try to ensure that it receives rent payments from the tenants, MSDW Bank has structured the Loan so that rent payments are made to a managing agent account or other account controlled by IAM and then net rental income is paid on a daily basis (until such time as the segregation referred to below has occurred following which payments will be made on a weekly basis) to the Rent Account charged to and controlled by the Security Trustee for the benefit of MSDW Bank. IAM has entered into the Duty of Care Agreement pursuant to which it, *inter alia*, declares it holds the rental income that it receives in relation to the Properties on trust on behalf of the lenders and the Security Trustee pending payment into the Rent Account; see the "The Loan and the Related Security — The Related Security". The Borrower and Mortgagors have, pursuant to the Credit Agreement and the Debentures, respectively, agreed not to countermand or vary the instructions as to rent payments. For business reasons tenants are not advised of the existence of the Rent Account, and MSDW Bank relies upon IAM to collect rents and ensure that they are credited to the Rent Account.

IAM is a wholly owned subsidiary of Industrious and in addition to the Properties manages land and property owned by other companies within the Industrious Holdings group. IAM currently collects rents in relation to all the properties that it manages into a single managing agent account, holding the same on trust, as appropriate, for different beneficiaries (including rent from the Properties on trust for the lenders and the Security Trustee). IAM has agreed that it will open separate managing agent accounts and direct tenants of property other than the Properties to pay rents due into those separate managing agent accounts and thereby ensure that the rents derived from the Properties will be held in a segregated account. The Borrower and IAM are obliged to procure that this is done by no later than 28th September, 2003. Until such segregation has occurred there is some risk that the trust arrangements may be deemed ineffective on the basis that the trust

property is insufficiently identifiable as being attributable to specific beneficiaries. The daily sweep referred to below should help to mitigate any such risk until such time as the formal segregation of rents is in place.

Following the Closing Date, since tenants are not required to make rent payments directly into the Rent Account, there may be a risk of the Mortgagors, in breach of the Credit Agreement and the Related Security, charging or assigning the rents to a third party. Under English law, the right to receive rent payments passes to a mortgagee (including the Security Trustee) on enforcement of the mortgage without the need for any express assignment, and therefore the claim of the Security Trustee under the Debentures would, as a matter of legal priority, defeat any claim by a subsequent chargee or assignee of the rent. There would, however, be no claim against a tenant who had previously responded to notice of the wrongful assignment by paying rent to a third party in ignorance of the Debentures. In order to mitigate these risks, IAM is obliged to procure rents are transferred into the Rent Account on a daily basis until it is able fully to segregate rents received in relation to the Properties from rents attributable to other land and premises managed by it, whereafter rents will be transferred into the Rent Account on a weekly basis. The Servicer will be able to monitor credits to the Rent Account accordingly.

The purchase of the Tranche A Loan and of MSDW Bank's beneficial interest in the Security Trust created over the Related Security has been structured in an attempt to address any risk to the rent payments as outlined in the preceding paragraph by ensuring that payments of rent will continue to be made into the Rent Account. However, for a period of time (in accordance with the requirements of the Duty of Care Agreement, such period shall not initially exceed one business day, or a week once segregation in full has occurred) the rent payments collected by IAM will be held in a uncharged collection account. The insolvency risk in relation to IAM holding such rental income is mitigated by the requirement of a daily sweep into the Rent Account and the declaration of trust that IAM has entered into in relation to such monies pursuant to the Duty of Care Agreement. On the Closing Date, the Issuer's beneficial interest in the Security Trust (which includes its interest in the Rent Account) will be assigned by way of security to the Trustee. See "The Structure of the Accounts".

The charge over the Rent Account is expressed to be fixed charge. However, under English law, whether or not a charge over book debts, such as the Rent Account, is fixed or floating will depend on the circumstances of the case, and it is possible that such charge will take effect only as a floating charge. The Rent Account has been structured with a view to ensuring that the Security Trustee will have sole control over the operation of this account, thereby increasing the likelihood that the charge will take effect as a fixed charge. Following the purchase by the Issuer on the Closing Date of the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust created over the Related Security and the novation of the Priority and Intercreditor Agreement, the Security Trustee, acting upon information provided by the Servicer, will be entitled to withdraw amounts from the Rent Account to meet the interest, principal and other amounts due to the Issuer from the Borrower in respect of the Tranche A Loan and, in accordance with the Priority and Intercreditor Agreement, due to the Tranche B Lender from the Borrower in respect of the Tranche B Loan, on each Loan Payment Date.

The terms of the tenancies might affect the realisable value of the Properties. The Credit Agreement provides that no occupational lease may be granted or assignment permitted without MSMS' consent (which shall not be unreasonably withheld) save in certain specified circumstances where such consent is not required. See "The Property Portfolio — Management".

In the case of Properties held under a lease there is also a risk of the rents being diverted to a superior landlord by a notice under Section 6 of the Law of Distress Amendment Act 1908 if the Borrower fails to pay its rent under the relevant headlease. It may also be diverted voluntarily by the sub-tenant in accordance with Section 21 of that Act. Approximately 10 per cent. of the Properties, in each case by property value (calculated by reference to the Valuation), are leasehold properties. In order to mitigate this risk the Security Trustee is authorised (and obliged) to pay such rents as and when due out of monies standing to the credit of the Rent Account.

Any one or more of the factors described above could operate to have an adverse effect on the amount of income derived from a Property or the income capable of being generated from that Property, which could in turn cause the Borrower to default on the Loan, reduce the chances of the Borrower refinancing the Loan or reduce the Borrower's ability to arrange for the sale of a Property.

Risks relating to Property Concentration

Concentrations of Properties in geographic areas may increase the risk that adverse economic or other developments or a natural disaster affecting a particular region could increase the frequency and severity of losses on the Loan. Details of the location of the various Properties are set out in "The Property Portfolio".

Property Owners' Liability to Provide Services

In relation, in particular, to industrial estates, there are parts of such properties which are not intended to be let to tenants, but instead comprise common areas such as service ways and other communal areas which are used by tenants and visitors to the property collectively, rather than being attributable to one particular unit or tenant. Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining common areas calculated with reference, *inter alia*, to the size of the premises demised by the relevant tenancy and the amount of use which such tenant is reasonably likely to make of the common areas. The contribution forms part of the service charge payable to the landlord which is additional to the principal rent save in relation to Flexilet leases. See "The Issuer's Ability to Meet its Obligations under the Notes: The Properties" above.

The liability of the landlord in each case to provide the relevant services is, however, not conditional upon all such contributions being made and consequently any failure by any tenant to pay the service charge contribution on the due date or at all would oblige the landlord to make good the shortfall from its own monies. The landlord would also need to pay from its own monies service charge contributions in respect of any vacant units.

Competition

Large industrial multi-tenant estates generally compete with other such estates in nearby areas in the regions they are located. The principal factors affecting such a property's ability to attract and retain tenants are, *inter alia*, the quality of the relevant buildings, the facilities offered, including plant where relevant, the convenience and location of the property, the amount of space available to be let and the identity and nature of its tenants and transport infrastructure in comparison to competing areas and centres.

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by, *inter alia*, a local or public authority or a governmental department generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in the certificates of title issued to MSDW Bank with respect to the origination of the Loan.

If a compulsory purchase order was made in respect of a Property (or part thereof), compensation would be payable on the basis of the open market value of all of the Borrower's and the tenants' proprietary interests in the Property (or part thereof) at the time of the relevant purchase (where the Property is let). The relevant freehold estate and any tenancy would both be acquired and the tenants would cease to be obliged to make any further rental payments to the Borrower under the relevant tenancy. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold, or leasehold estate may be less than the corresponding Principal Amount Outstanding on the Notes together with accrued interest.

There is often a delay between the compulsory purchase of a property and the payment of compensation (although interest at statutory rates is payable by a compulsorily acquiring authority once it takes possession of land), the length of which will largely depend upon the ability of the property owner and entity acquiring the property to agree on the open market value. Should such a delay occur in the case of a Property, then, unless the Borrower has other funds available to it, an event of default may occur under the Credit Agreement. Following the payment of compensation, the Borrower will be required to prepay all or such part of the amounts owing by it under the Credit Agreement as is equivalent to the compensation payment received, the portion of such prepayment in respect of the Tranche A Loan being used by the Issuer to redeem the Notes (or part thereof).

Frustration

A tenancy could, in exceptional circumstances, be frustrated under English law, whereupon the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party thereto, so that it would be inequitable for such an agreement or agreements to continue.

Prepayment Risk

A high prepayment rate in respect of the Loan will result in a reduction in interest receipts on the Loan by the Issuer and therefore may result in a shortfall in the monies available to be applied by the Issuer in making payments of interest on the Notes. The prepayment risk will, in particular, be borne by the holders of the most junior Classes of Notes then outstanding.

Breach of warranty in relation to the Tranche A Loan and the Related Security

Except as described under "The Loan and the Related Security — Acquisition", neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions as to the status of the Borrower, the Mortgagors, the Loan or the Related Security, and the Issuer and the Trustee will each rely instead solely on the warranties given by MSDW Bank in respect of such matters in the Loan Sale Agreement (see further "The Loan and the Related Security — Representations and Warranties"). If any breach of warranty relating to the Loan and the Related Security is material and (if capable of remedy) is not remedied, the Issuer and the Trustee may require MSDW Bank to repurchase the Tranche A Loan together with its beneficial interest in the Security Trust; provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if MSDW Bank fails to repurchase the Tranche A Loan and Related Security when obliged to do so.

Insurance

MSMS' interest (in its capacity as Security Trustee) has been noted on each buildings insurance policy maintained in respect of each Property or is in the course of being noted or is otherwise included by the relevant insurers under a "general interest noted" provision in the relevant buildings insurance policy. Noting a party's interest on a policy does not entitle that party to a share in the proceeds, although it is generally the practice for insurers in the United Kingdom to notify the party whose interest is noted if the policy lapses.

On the Closing Date, the Issuer will acquire MSDW Bank's beneficial interest in the Security Trust (which includes MSMS' interests in the buildings insurance policies), and the Issuer's beneficial interest in the Security Trust will form part of the Issuer Security secured under the Deed of Charge and Assignment in favour of the Trustee for the benefit of the Noteholders and the other Secured Parties. The Servicer will serve notice of the assignment of the Issuer's beneficial interest in the Security Trust to the Trustee under the Deed of Charge and Assignment on each insurer within fifteen business days of the Closing Date. However, for the reasons described above, the ability of the Security Trustee, the Issuer or the Trustee to make a claim under the relevant buildings insurance policies is not certain.

Privity of Contract

The Landlord and Tenant (Covenants) Act 1995 (the "**Covenants Act**") provides that, in relation to leases of property granted after 1st January, 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease)), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into whereby on assignment of a lease of commercial property, the original tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord. Such an authorised guarantee relates only to the obligations under the lease of the original assignee of the original tenant and not any subsequent assignees of the original assignee. The same principles apply to an original assignee if it assigns the lease.

To the extent any occupational leases in respect of the Properties as at the Closing Date were entered into before 1st January, 1996 or pursuant to agreements for lease in existence before 1st January, 1996, because the Covenants Act has no retrospective effect, the original tenant of a lease of any such Property in England will remain liable under these leases notwithstanding any subsequent assignments, subject to any express releases of the tenant's covenant on assignment. In such circumstances the first and every subsequent assignee would normally covenant with his predecessor to pay the rent and observe the covenants in the lease and would give an appropriate indemnity in respect of those liabilities to his predecessor in title, and thereby create a "*chain of indemnity*".

There can be no assurance that any assignee of a lease of premises within a Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who in the context of a new tenancy will not be covered by the original tenant's authorised guarantee) will be of a similar credit quality.

Statutory Rights of Tenants

In certain limited circumstances, tenants of a property may have legal rights to require the landlord of that property to grant them tenancies, for example pursuant to the Landlord and Tenant Act 1954 or the Landlord and Tenant (Covenants) Act 1995. Should such a right arise, the landlord may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court or being the same as those under the previous tenancy of the relevant premises. Accordingly, while it is the general practice of the courts in renewals under the Landlord and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time and there can be no guarantee as to the terms on which any such new tenancy will be granted.

Appointment of Substitute Servicer

For a termination of the appointment of the Servicer under the Servicing Agreement to be effective, a substitute servicer must have been appointed. See "Servicing". There is no guarantee that a substitute servicer could be found who would be willing to service the Issuer's assets (including the Loan and the Related Security) at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though this agreement provides for the fees payable to a substitute servicer to be consistent with those payable generally at that time for the provision of commercial mortgage administration services). In any event, the ability of such substitute servicer to perform such services fully would depend on the information and records then available to it. The fees and expenses of a substitute servicer performing services in this way would be payable in priority to payment of interest under the Notes.

Risks relating to Conflicts of Interest

Conflicts of interest may arise between the Issuer and MSMS because MSMS or one or more of its affiliates intends to continue actively to service, acquire, develop, finance and dispose of real estate-related assets in the ordinary course of their business. During the course of their business activities, MSMS or those affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Properties. In such cases, the interests of MSMS or those affiliates may differ from, and compete with, the interests of the Issuer, and decisions made with respect to those assets may adversely affect the value of the Properties and therefore the ability to make payments under the Notes. Likewise, the Special Servicer or affiliates of the Special Servicer may service, acquire, develop, operate, finance or dispose of real estate-related assets in the ordinary course of their business so causing similar conflicts of interest to arise.

The Special Servicer is responsible for taking action in relation to the Loan (should it become a Specially Serviced Loan) and the beneficial interest in the Security Trust created over the Related Security. The Special Servicer may, at any time, hold any or all of the Tranche B Loan and/or the most junior class of Notes outstanding from time to time, and the holder of the Tranche B Loan and/or that class may have interests which conflict with the interests of the holders of the other Notes.

Repayment of Existing Indebtedness

Morgan Stanley Real Estate Fund IV Limited ("**MSREF**") is part of the Morgan Stanley group and operates a fund in which large institutional investors and certain individual investors participate. MSREF has

used part of its available fund to acquire an equity interest in Chambercroft, the entity which acquired the issued share capital of Industrious, and will retain an economic interest in the Properties. The interests of MSREF in such capacity may differ from the interests of the Issuer. However, it should be noted that the Morgan Stanley group's participation in the fund operated by MSREF is limited to 10 per cent. of the total capital commitments of the fund and no debts nor any other obligations of the fund operated by MSREF are guaranteed by the Morgan Stanley group.

The purpose of the Loan was to enable Industrious Finance to make inter-company loans to Industrious (to enable Industrious to make an inter-company loan to Chambercroft, to enable Chambercroft to repay certain indebtedness to the Morgan Stanley group incurred in relation to Chambercroft's acquisition of Industrious, and to enable Industrious and its subsidiaries to refinance certain existing indebtedness to the Morgan Stanley group).

Mortgagee in Possession Liability

The Security Trustee may (on enforcement of its Security Interests) be deemed to be a mortgagee in possession if it physically enters into possession of a Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Security Trustee (where the Property is let). The enforcement procedures contained in the Debentures contemplate that, following a default, notice would be served on the tenants of a Property (where the Property is let) requiring all further rents to be paid directly to the Issuer. In each case this could result in the Security Trustee becoming a mortgagee in possession.

A mortgagee in possession has an obligation to account for the income obtained from the relevant property and in the case of tenanted property will be liable to a tenant for any mismanagement of the relevant property. A mortgagee in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

In a case where it is necessary to initiate enforcement procedures against the Borrower, the Servicer is likely to appoint a receiver to collect the rental income on behalf of the Issuer which should have the effect of reducing the risk that the Security Trustee is deemed to be a mortgagee in possession.

Environmental Risks

Certain existing environmental legislation imposes liability for clean-up costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found. The term "owner" would include anyone with a proprietary interest in a property. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all the clean up costs incurred.

If any environmental liability were to exist in respect of any Property or the Borrower or any Mortgagor, the Security Trustee should incur no responsibility for such liability prior to enforcement of the Loan and the Related Security, unless it could be established that the Security Trustee (or the Servicer or the Special Servicer on behalf of the Security Trustee) had entered into possession of the affected Property or could be said to be in control of the Property. After enforcement, the Security Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Security Trustee, could become responsible for environmental liabilities in respect of a Property.

If an environmental liability arises in relation to any Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the Property or in a reduction in the price obtained for the Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on the Property could result in personal injury or similar claims by private plaintiffs.

In the context of the legal due diligence that has been undertaken in relation to the Properties (see "The Loan and the Related Security — Legal Due Diligence") enquiries were raised of the local authority and the Environment Agency as well as of the Mortgagors concerning environmental matters in relation to the Properties. No environmental surveys were undertaken.

The Certificates of Title that have been issued confirm on the basis of replies to those enquiries that there are no outstanding notices relating to environmental matters which would have been served in respect of the Properties by the Environment Agency or the local authority. However, the Certificates of Title confirm a number of instances of contamination or pollution (or potential contamination or pollution) in the vicinity of 12 of the Properties, some of which it appears may have been caused at or emanate from the relevant Property. The Certificates of Title also confirm that 11 of the Properties are built either on or near landfill sites.

It is not thought that the nature and type of the environmental matters revealed is either unusual or material given the location of the Properties and the industrial uses to which they are put. It should be noted that insofar as any new contamination occurs that is caused by a tenant at a Property then that tenant will be primarily responsible for any remediation required.

The replies to enquiries referred to above also confirm that six Properties have either been previously subject to, or are considered susceptible to, flooding, which may affect any potential redevelopment.

The Certificates of Title have been reviewed by the valuers who in providing their Valuation have taken account of the issues referred to above.

For further details as to the approach taken with regard to environmental matters generally, see "The Property Portfolio — Environmental Matters".

Legal Title

All of the Properties comprise registered land in England or Wales. Seven of the Properties were only transferred to MTLJLP on 19th May, 2003. MTLGP (as general partner of MTLJLP) as Mortgagor is not yet registered as legal proprietor of such Properties (following its acquisition of such Properties). However, although the Security Trustee is registered as proprietor of the legal mortgages granted to it by MTLJLP's predecessor in title over such Properties. MSDW Bank has confirmed, following consultation with its external legal advisers, that it is not aware of any reason why in such instances MTLGP, as Mortgagor, should not in due course be registered as legal proprietor of the Property to which it is acquiring legal title or why the Security Trustee should not in due course be registered as proprietor of the supplemental mortgage granted by MTLJLP over the Property.

In the case of each Property (save in the case of such seven Properties where transfers have only recently been completed and where the relevant applications will be made shortly) the subject of a transfer to MTLGP (as general partner of MTLJLP), the completed transfer or transfers or conveyance or conveyances have been duly stamped and appropriate application has been made to H.M. Land Registry for registration of transfer of the title and the relevant mortgage. Land Registry Fees have been paid and it is expected that all applications will be completed within six months of the Closing Date.

In relation to the seven properties the subject of recent transfers to MTLGP an application for relief from payment of stamp duty is to be made. MSDW Bank has confirmed, following consultation with its external legal advisers, that it is not aware of any reason why such relief should not be granted on the transfer of property between group companies, and no funds have therefore been reserved in this respect.

The remaining Property is registered at H.M. Land Registry in the name of Industrious (Fradley) and the Security Trustee is registered as proprietor of a first legal mortgage over the same.

Due Diligence

The only due diligence (including valuations of properties) that has been undertaken in relation to the Loan and the Properties is referred to below (see "The Loan and the Related Security") and was undertaken in the context of and at the time of the origination of the Loan by MSDW Bank. Additional non-priority Land Registry searches will be undertaken in respect of the Properties by solicitors to MSDW Bank in the context of the warranties that are being given but, other than this, none of the due diligence previously undertaken will be verified or updated prior to the sale of the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust created over the Related Security to the Issuer. Neither the Issuer nor the Trustee has conducted any due diligence in respect of the Borrower, the Mortgagors, the Loan, the Tranche A Loan, the Security Trust

or the Related Security, and the Issuer and the Trustee will each rely solely on the representations and warranties of MSDW Bank contained in the Loan Sale Agreement referred to below.

Receivers

Pursuant to the Servicing Agreement, the Servicer (and, where relevant, the Special Servicer) is required to take all reasonable steps to recover amounts due from the Borrower, and to comply with the procedures for enforcement of the Loan and the Related Security current from time to time. See "Servicing". The principal remedies available following a default under the Loan or the Related Security, as contemplated by the Servicer's and Special Servicer's enforcement procedures, are the appointment of a receiver (with the prior written consent of the Trustee) over the Properties or over all of the assets of the Borrower and/or entering into possession of the Properties. The Servicer and the Special Servicer have each confirmed to the Issuer and the Trustee that its usual procedure for enforcing security over property would involve the appointment of a receiver. A receiver would usually require a specific indemnity to meet his costs and expenses (notwithstanding his statutory indemnity under the Insolvency Act 1986) as a condition of his appointment or continued appointment. The Servicer (and, where relevant, the Special Servicer) are authorised to agree the terms of and to execute such indemnity on behalf of the Issuer and the Security Trustee. Such an indemnity would rank ahead of payments on the Notes.

The Servicer's and Special Servicer's usual practice would be to require the Security Trustee to appoint a "Law of Property Act" receiver ("**LPA Receiver**") rather than an administrative receiver. Such a receiver is so called because his powers derive not only from the mortgage under which he has been appointed but also from the Law of Property Act 1925. An LPA Receiver is deemed by law to be the agent of the entity providing security until the commencement of liquidation proceedings against such entity and so, for as long as the receiver acts within his powers, he will only incur liability on behalf of the entity providing security. If, however, the Security Trustee, the Servicer or the Special Servicer on behalf of the Security Trustee, unduly directs or interferes with and influences the receiver's actions, a court may decide that the receiver is the Security Trustee's agent and that the Security Trustee should be responsible for the receiver's acts. The concept of receivers is not recognised domestically by the laws of Jersey and the courts of Jersey are unlikely to recognise the powers of any receiver appointed in respect of Jersey-situs assets.

Administration

A recent case decided that the appointment of an administrator in respect of a company incorporated outside England and Wales was possible on the basis that the administration of the affairs of the company was carried out from its head office in England. Those of the Mortgagors which are companies registered outside of England and Wales, but which in fact have their centre of main interests situated in England and Wales might be placed into administration on this basis. It is possible that the Security Trustee may not be able to appoint an administrative receiver to block an English administration of such Mortgagors. Although an administrator should recognise the security interest of the Security Trustee, the administration might result in the Security Trustee losing control of the enforcement process.

It is possible that an English law administrator could be appointed over a Jersey limited partnership if its "centre of main interests" were held to be situated in England and Wales. In the case of MTLJLP, however, it is believed that it is managed outside England and Wales and the appointment of an English law administrator is unlikely, especially if such appointment was against the wishes of its principal creditor.

Jersey Limited Partnerships

The Limited Partnerships (Jersey) Law 1994 (the "**LP(J) Law**") provides for the establishment of limited partnerships in the Island of Jersey. Under the LP(J) Law, a general partner in a limited partnership has all the rights and powers and is subject to all the restrictions and liabilities of a partner in a partnership without limited partners.

Without written consent or ratification by all the limited partners, a general partner has no authority to:

(a) do an act which makes it impossible to carry on the activities of the limited partnership;

(b) possess limited partnership property, or dispose of any rights in limited partnership property, for other than a partnership purpose; or

(c) admit as a general partner or admit a person as a limited partner, unless the right to do so is given in the partnership agreement.

The LP(J) Law provides that "any property of a limited partnership which is transferred to or vested in or held on behalf of any one or more of the general partners or which is transferred into or vested in the name of the limited partnership shall be held or deemed to be held by the general partner, or if more than one, by the general partners jointly, as an asset of the limited partnership in accordance with the terms of the partnership agreement." Further, any debt or obligation incurred by a general partner in conducting the activities of a limited partnership is a debt or obligation of the limited partnership.

The liability of a limited partner is limited to the amount of capital that it has contributed or has committed to contribute but, under the LP(J) Law, a limited partner in MTLJLP will lose the limitation on its liability if it participates in the management of MTLJLP in its dealings with persons who are not partners in the circumstances where those persons transact with the limited partnership with actual knowledge of the participation of the limited partner in the management of the limited partnership and who then reasonably believed the limited partner to be a general partner.

The LP(J) Law prescribes that certain activities are excluded from being regarded as such management participation. The principal ones are:

(a) being a contractor for or an agent or employee of the limited partnership or of a general partner or acting as a director, officer or shareholder of a corporate general partner;

(b) consulting with and advising a general partner with respect to the activities of the limited partnership;

(c) investigating, reviewing, approving or being advised as to the accounts or affairs of the limited partnership or exercising any right conferred by the LP(J) Law;

(d) acting as surety or guarantor for the limited partnership either generally or in respect of specific obligations;

(e) approving or disapproving an amendment to the partnership agreement;

(f) voting on, or otherwise signifying approval or disapproval of, one or more of the following:

  (i) the dissolution and winding up of the limited partnership,

  (ii) the purchase, sale, exchange, lease, pledge, hypothecation, creation of a security interest, or other dealing in any asset by or of the limited partnership,

  (iii) the creation or renewal of an obligation by the limited partnership,

  (iv) a change in the nature of the activities of the limited partnership,

  (v) the admission, removal or withdrawal of a general or limited partner and the continuation of the limited partnership thereafter, and

  (vi) transactions in which one or more of the general partners have an actual or potential conflict of interest with one or more of the limited partners; and

(g) bringing an action on behalf of the limited partnership in the circumstances where any one or more of the general partners with authority to do so have, without good cause, refused to institute such action.

Further, under the Limited Partnership Agreement documenting MTLJLP, the limited partners have no right or power to take part in the management of MTLJLP or transact any business for MTLJLP, and they have no power to sign for or bind MTLJLP.

Insolvency and Winding up of a Jersey Limited Partnership

The LP(J) Law contains certain specific provisions relating to insolvency, but Jersey law does not yet have a full insolvency regime specific to limited partnerships.

A declaration that the property of a person is "*en désastre*" under the Bankruptcy (Désastre) (Jersey) Law, 1990 as amended can only be made against the general partner of a Jersey limited partnership, and not against the limited partnership itself.

The LP(J) Law provides that, notwithstanding any provision, express or implied, of the limited partnership agreement to the contrary, where the sole or last remaining general partner is a body corporate, its dissolution, bankruptcy (where 'bankruptcy' includes but is not limited to a declaration of *desastre* as above or the winding up of a company by means of a creditors' winding up under the Companies (Jersey) Law 1991 as amended, a procedure which is instigated by shareholders not creditors) or withdrawal from the limited partnership shall cause the immediate dissolution of the limited partnership which shall forthwith be wound up in accordance with the partnership agreement, or on the application of a limited partner or a creditor of the limited partnership, in accordance with the directions of the Royal Court of Jersey; but this is subject to the ability of the limited partners to prevent such obligatory dissolution and winding up by within ninety days electing another general partner. Given however that a general partner is fully liable for the debts of the limited partnership, then if the limited partnership is itself insolvent it is unlikely that any replacement general partner could be found.

Otherwise, a creditor would have his ordinary rights of enforcement of a judgment. The LP(J) Law provides that no judgment shall be enforced against any property of a limited partnership unless such judgment has been granted against a general partner in his capacity as a general partner of such limited partnership.

On a dissolution of a Jersey limited partnership, limited partners (who are not general partners) rank as creditors in respect of liabilities of the limited partnership except on account of contributions or profits of limited partners.

The Royal Court of Jersey has an overriding jurisdiction, on the application of a partner, to order the dissolution of a Jersey limited partnership in certain circumstances, such as that it is just and equitable that the limited partnership be dissolved.

Factors Relating to the Notes

Liability under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by MSDW Bank or any associated body of MSDW Bank, or of or by the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider, the Depository, the Exchange Agent or the Operating Bank or any company in the same group of companies as the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider, the Depository, the Exchange Agent or the Operating Bank and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

Principal Losses

The Principal Amount Outstanding of each Note will be reduced by the corresponding amount of Applicable Principal Losses that are applied against each Note of the relevant class. Noteholders will have no

claim against the Issuer in respect of the amount by which the Principal Amount Outstanding of any Notes has been so reduced. See "Terms and Conditions of the Notes".

Limited Recourse

On enforcement of the security for the Notes, the Trustee and the Noteholders will only have recourse to the Loan and the Issuer's beneficial interest in the Security Trust created over the Related Security and the remaining Issuer Security. In the event that the proceeds of such enforcement are insufficient (after payment of all other claims ranking higher in priority to or *pari passu* with amounts due under the Notes), then the Issuer's obligation to pay such amounts will cease and the Noteholders will have no further claim against the Issuer in respect of such unpaid amounts. Enforcement of the Security created pursuant to the Deed of Charge and Assignment is the only remedy available for the purpose of recovering amounts owed in respect of the Notes.

The Issuer and the Trustee will have no recourse to MSDW Bank save as provided in the Loan Sale Agreement (see further "The Loan and the Related Security — Representations and Warranties").

Rights Available to Holders of Notes of Different Classes

In performing its duties as trustee for the Noteholders, the Trustee will not be entitled to consider solely the interests of the holders of the most senior class of Notes then outstanding but will need to have regard to the interests of all of the Noteholders. Where, however, there is a conflict between the interests of the holders of one class of Notes and the holders of another class of Notes, the Trustee will be required to have regard only to the interests of the most senior class of Notes then outstanding.

Ratings of Notes

The ratings assigned to the Notes by the Rating Agencies are based on the Loan, the Related Security, the Properties and other relevant structural features of the transaction, including, *inter alia*, the subordination of the Tranche B Loan, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider and the Interest Rate Swap Guarantor and, in the case of the Class B Notes, the FX Swap Provider, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes.

Agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes by the Rating Agencies, those shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Offering Circular are to ratings assigned by the specified Rating Agencies only.

The Servicing Agreement requires the Servicer and, if it has been appointed, the Special Servicer, to determine whether, and on what basis, to exercise certain discretions of the Security Trustee and the Issuer in connection with the Loan and the Related Security. Prior to (i) the appointment of any receiver and (ii) exercising any discretion on behalf of the Issuer or the Security Trustee in relation to the Loan and the Related Security the effect of which would be (in the reasonable opinion of the Servicer or Special Servicer, as the case may be) materially adverse to the Noteholders (whether of any particular class of Notes or all classes of Notes), the Servicer or the Special Servicer, as appropriate, must notify the Rating Agencies and the Trustee in writing of the manner in which it proposes to exercise the relevant discretion and the time at which it proposes to do so (the "**Specified Time**"), which shall be no earlier than the fifteenth Business Day following the date of such notification, and provide the Rating Agencies and the Trustee with such additional information within their control that may reasonably be necessary to enable them to properly evaluate the proposed manner of exercise of the discretion in question.

Neither the Servicer nor the Special Servicer may exercise the discretion referred to above prior to the Specified Time, unless a failure to do so would be inconsistent with the Servicing Standard or (in the reasonable opinion of the Servicer or Special Servicer, as the case may be) have an effect which was more adverse to the interests of the Noteholders than would the exercise of the discretion at or after the Specified Time, in which case, prior to actually exercising the relevant discretion the Servicer or the Special Servicer, as the case may be, shall notify the Rating Agencies and the Trustee in writing of its intention to do so. Furthermore, if the Trustee notifies the Servicer or Special Servicer that it does not consent to the exercise of the relevant discretion in the manner proposed, the Servicer or Special Servicer shall desist from so acting. However, without prejudice to the obligation of the Servicer and the Special Servicer to act at all times in accordance with the Servicing Standard, nothing shall prevent the Servicer or the Special Servicer from exercising the relevant discretion at, after or prior to the Specified Time if it has notified the Rating Agencies and the Trustee in writing of the proposed exercise and the reasons therefore, and provided any additional information required by the Servicing Agreement but has received no response.

Although the Rating Agencies will be given prior notice of the exercise of the discretions referred to above, they are under no obligation to revert to the Servicer or Special Servicer regarding the impact of such exercise on the ratings of the Notes and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of Notes based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the exercise of the discretion by the Servicer or Special Servicer.

Absence of Secondary Market; Limited Liquidity

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings to be made in the circumstances described in "Credit Structure — Liquidity Facility". The facility will, however, be subject to an initial maximum aggregate principal amount of £15,000,000 which will in certain specified circumstances be reduced. The amount available to be drawn under the facility in the event of a non-payment with respect of the Tranche A Loan may, if followed by an Appraisal Reduction in respect of the Tranche A Loan, be reduced, such that insufficient funds may be available to the Issuer to pay in full interest due on the Notes, such risk being borne initially by the holders of the Class E Notes as described under "Credit Structure Liabilities under the Notes". The Liquidity Facility Agreement is not available to meet shortfalls in Final Redemption Funds, Principal Recovery Funds, Prepayment Redemption Funds or Release Sum Funds or to fund any Principal Priority Amount, nor is it available to meet any shortfalls in respect of the Tranche B Loan.

United States Tax Characterisation of the Notes

Although all of the Notes are denominated as debt, there is a significant possibility that the Class E Notes and to a lesser extent more senior classes of Notes may be treated as equity for United States federal income tax purposes. Such a characterisation could have certain adverse tax consequences to United States investors who hold such Notes. See "United States Taxation — Possible Alternative Characterisation of the Notes".

Proposed EU Directive on the Taxation of Savings Income

On 19th March, 2003, the EU Council of Economic and Finance Ministers discussed the adoption of a new directive regarding the taxation of savings income. It is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such

payments. The proposed directive, which is proposed to come into force on 1st January, 2005, is not yet final, and may be subject to further amendment and/or clarification.

Withholding Tax under the Notes

In the event any withholding or deduction for or on account of taxes is imposed on or is otherwise applicable to payments of interest or principal on the Notes to Noteholders the Issuer is not obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

Introduction of the Euro

If at any time there is a change of currency in the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Notes outstanding at the time of such change and which are expressed in sterling will be translated into, and any amount payable will be paid in, the currency or currency unit of the United Kingdom, and in the manner designated by the Principal Paying Agent. Any such translation will be at the official rate of exchange recognised for that purpose by the Bank of England.

Where such a change in currency occurs, the Notes and the Conditions will be amended in the manner agreed between the Issuer and the Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Trustee and the Noteholders in the same position as if no change in currency had occurred. Such amendments are to include, without limitation, changes required to reflect any modification to business day or other conventions arising in connection with a change in currency. All such amendments will be binding on the Noteholders. Notification of the amendments will be made in accordance with Condition 15.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, Jersey law and New York law and administrative practice in effect as at the date of this document. No assurance can be given as to the impact of any possible change to English law, Jersey law or New York law or administrative practice after the date of this document, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

The Insolvency Act 2000

Noteholders should note that significant changes to the English insolvency regime have recently been enacted. On 1st January, 2003 certain provisions of the Insolvency Act 2000 came into force, which allow "small" companies (which are defined by reference to certain financial and other tests), as part of the company voluntary arrangement ("**CVA**") procedure, to obtain protection from their creditors by way of a "moratorium". The initial duration of the moratorium is up to 28 days. A meeting of creditors may resolve that the duration of the moratorium be extended for up to a further two months. The Secretary of State may by order increase or decrease either the initial moratorium period or any period by which the moratorium may be extended.

Whether a company is a "small" company for the purposes of the Insolvency Act 2000 is an accounting matter determined on a financial year by financial year basis by reference to criteria set out in section 247(3) of the Companies Act 1985, currently being a company which fulfils two or more of the following three conditions: (a) a turnover of not more than £2.8 million, (b) a balance sheet total of not more than £1.4 million and (c) having not more than 50 employees. The Secretary of State may by regulations modify both the definition of a "small" company and the qualifications for eligibility of a company for a moratorium. Accordingly, at any given time the Issuer, Borrower and Mortgagors might fall within the definition of "small company" depending on their financial position and number of employees during the financial year immediately prior to the filing.

Effect of moratorium

If a moratorium is obtained in relation to a company then during the period it is in force, amongst other things, (a) no administrative receiver of the company may be appointed, no petition may be presented (other than, in certain circumstances, by the Secretary of State) or resolution passed or order made for the winding up of the company and no petition for an administration order may be presented and (b) any security created by that company over its property cannot be enforced (except with the leave of the Court and subject to such terms as the Court may impose) and no proceedings and no execution or other legal process may be commenced or continued, or distress levied, against the company or its property (except with the leave of the Court and subject to such terms as the Court may impose).

However, a company subject to a moratorium may continue to make payments in respect of its debts and liabilities in existence before the moratorium. It may do so if there are reasonable grounds for believing such payments will benefit that company and the payment is approved by either a moratorium committee of the creditors of that company or by a nominee of that company appointed under the provisions of the Insolvency Act 2000.

Companies excluded from eligibility for a moratorium

Pursuant to regulations made by the Secretary of State which also came into force on 1st January 2003, a company which is, on the date of filing for a CVA, party to an agreement which forms part of a capital market arrangement, under which a party incurs a debt of at least £10 million and which involves the issue of a capital market investment, is excluded from being eligible for the moratorium. The definitions of "capital market arrangement" and "capital market investment" are such that, in general terms, any company which is a party to an agreement which forms part of an arrangement under which (a) security is granted to a trustee on behalf of a person that holds a rated, listed or traded debt instrument issued by a party to that arrangement, and (b) a party has incurred, or after the agreement was entered into, was expected to incur, a debt of at least £10 million, may be ineligible to seek the benefit of a small companies moratorium.

The Issuer should fall within this exception but there is a risk that the Borrower and Mortgagors do not. There is therefore a risk that the moratorium might prevent the security granted by the Borrower or Mortgagors being enforced for the period of the moratorium unless the Court grants leave for it to be enforced.

The Enterprise Act 2002

In addition, on 7th November, 2002, the Enterprise Act (the "**Act**") received royal assent. This legislation contains significant reforms of bankruptcy and insolvency law. These reforms, which are expected to be brought into force in Summer 2003, will restrict the right of the holder of a floating charge to appoint an administrative receiver and instead give primacy to collective insolvency procedures and in particular administration. The government's aim is that, rather than having primary regard to the interests of secured creditors, any insolvency official should have regard to the interests of all creditors, both secured and unsecured. Presently, the holder of a floating charge over the whole or substantially the whole of the assets of a company normally has the ability to block the appointment of an administrator by appointing an administrative receiver, who primarily acts in the interests of the floating charge holder, though there are residual duties to the company and others interested in the equity of redemption.

The Act states that the holder of a valid and enforceable floating charge over the whole or substantially the whole of a company's property will be able to appoint an administrator of his choice, and that (if no winding-up order had been made or provisional liquidator appointed) such appointment can be made without going to court. However, the administrator will be acting for the creditors generally and not just his appointor.

Directors of companies will also be able to use the out of court route to place the company in administration. There will be a notice period during which the holder of the floating charge can either agree to the proposed appointment by the directors or appoint an alternative administrator, although the moratorium will take effect immediately after notice was given. If the floating charge holder does not respond to the notice of intention to appoint, the company's appointee will automatically take office after the notice period has elapsed.

The Act states that the purpose of administration will be to rescue the company, or, where that is not reasonably practicable, to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up, or, where neither of the above purposes are reasonably practicable, to realise property in order to make a distribution to one or more secured or preferential creditors. These purposes could conflict with the wishes or interests of Noteholders.

In a press notice issued by the Department of Trade and Industry on 9th November, 2001, the Secretary of State for Trade and Industry confirmed that the government's proposed abolition of administrative receivership would not apply to corporate lending agreements pre-dating the commencement of the relevant provisions, and that the current insolvency law provisions would continue to apply to such lending agreements supported by a floating charge. A "reassurance" was given that the Act would not apply retrospectively while the Act was at the committee stage in the House of Commons. Therefore, if the security granted by the Issuer the Borrower or Mortgagors is created before the relevant provisions of the Act come into force, the new provisions should not prevent administrative receivers being appointed under floating charges granted by the Issuer, the Borrower or such Mortgagors as are registered in England and Wales.

The Act also provides that the abolition of administrative receivership will not extend to certain capital market arrangements. The current wording of the relevant exception provides that, in broad terms, to fall within this exception, the arrangement must involve a party incurring or expecting to incur a debt of at least £50 million and the issue of a debt instrument that is rated, listed or traded or designed to be rated, listed or traded. The current wording provides that an arrangement is a "capital market arrangement" if (a) it involves a grant of security to a person holding it as a trustee for a person who holds a capital market investment issued by a party to the arrangement; or (b) at least one party guarantees the performance of obligations of another party; or (c) at least one party provides security in respect of the performance of obligations of another party; or (d) the arrangement involves an investment of a kind described in articles 83 to 85 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (options, futures and contracts for differences). Although the security granted by the Issuer should fall within the exception in its current form, the Secretary of State for Trade and Industry is given the power to modify the exceptions by secondary legislation and the government has indicated that changes may be made to the capital markets exception before the Act comes into force.

Proposed changes to the Basel Accord

The Basel Committee on Banking Supervision (the "**Basel Committee**") has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline. The consultation period on the initial proposals ended in March 2000 and the Basel Committee published its second consultation document, the "**New Basel Capital Accord**", on 16th January, 2001. The consultation period on the further proposals contained in the New Basel Capital Accord ended on 31st May, 2001.

On 1st October, 2002 the Basel Committee launched a comprehensive field test for banks, known as the quantitative impact study, or QIS3, to gauge the impact of its revised proposals on minimum capital requirements under pillar one of the New Basel Capital Accord before finalisation of the third consultative paper. The survey period ended on 20th December, 2002 and the results were issued on 5th May, 2003. The third consultative paper on the New Basel Capital Accord was issued on 29th April, 2003. Comments on the third consultative paper are due by 31st July, 2003.

The Basel Committee intends to finalise the New Basel Capital Accord in the fourth quarter of 2003, allowing for implementation of the new framework in each country at year end 2006. If adopted in their current form, the proposals could affect the risk weighting of the Notes for certain investors if those investors are regulated in a manner which will be affected by the proposals. Consequently, recipients of this Offering Circular should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord proposals.

Hedging risks

The Interest Rate Swap Transaction

The Tranche A Loan bears interest at a fixed rate while each class of the Notes bears interest at a rate based on, except in the case of the first Interest Period, three month LIBOR plus a margin (see Condition 5). In order

to address interest rate risk, the Issuer will enter into the Interest Rate Swap Transaction pursuant to the Interest Rate Swap Agreement. However, there can be no assurance that the Interest Rate Swap Transaction will adequately address unforeseen interest rate hedging risks. Moreover, in certain circumstances the Interest Rate Swap Agreement may be terminated and as a result the Issuer may be unhedged if a replacement interest rate swap transaction cannot be entered into. In particular, Noteholders may suffer a loss if, as a result of a default by the Borrower under the Credit Agreement, the Interest Rate Swap Transaction is terminated and the Issuer is, as a result of such termination, required to pay amounts to the Interest Rate Swap Provider. Certain of such amounts payable on an early termination rank senior to any payments to be made to the Noteholders both before enforcement of the Issuer Security and after enforcement of the Issuer Security. See "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes" and "Credit Structure — Post-Enforcement Priority of Payments".

The FX Swap Transaction

The Class B Notes are denominated in dollars. In order to address the risk of movements in foreign exchange rates the Issuer will enter into the FX Swap Transaction pursuant to the FX Swap Agreement. There can be no assurance however that the FX Swap Transaction will adequately address unforeseen currency hedging risks. Furthermore, in certain circumstances the FX Swap Transaction may be terminated and as a result the Issuer may be unhedged if a replacement currency swap transactions cannot be entered into. In particular, Class B Noteholders may suffer a loss if the Issuer is unable to enter into a replacement FX Swap Transaction and the Issuer is consequently required to purchase dollars in order to make payments due to the Class B Noteholders at the prevailing spot rate of exchange on the relevant Interest Payment Date using only the amounts in sterling (being in the maximum principal principal amount of £31,901,840) otherwise available for distribution to the Class B Noteholders. The Class B Noteholders shall have no recourse to the Issuer for such shortfall amounts in the amount of dollars available for such payments.

See "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes" and "Credit Structure — Post-Enforcement Priority of Payments".

For a more detailed description of the Swap Agreements see "Credit Structure — The Interest Rate Swap Agreements" and — "The FX Swap Agreement" below.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Offering Circular lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

THE ISSUER

The Issuer, Hermione (European Loan Conduit No. 14) plc, was incorporated in England and Wales on 19th September, 2002, (registered number 04539735), as a public company with limited liability under the Companies Act 1985. The Issuer was incorporated under the name Gorgons (European Loan Conduit No. 12) plc and changed its name to Hermione (European Loan Conduit No. 14) plc on 22nd January, 2003. The registered office of the Issuer is at Blackwell House, Guildhall Yard, London EC2V 5AE. The Issuer has no subsidiaries.

1. Principal Activities

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are, *inter alia*, to invest in mortgage loans secured on commercial or other properties in the British Isles or elsewhere, to manage and administer mortgage loan portfolios, to issue securities in payment or part payment for any real or personal property purchased, to borrow, raise and secure the payment of money by the creation and issue of bonds, debentures, notes or other securities and to charge or grant security over the Issuer's property or assets to secure its obligations.

The Issuer has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Companies Act 1985, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Offering Circular and matters which are incidental or ancillary to the foregoing.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in Condition 4(A) of the Notes, the Deed of Charge and Assignment and the Trust Deed. In addition, the Issuer will covenant in the Trust Deed to provide written confirmation to the Trustee, on an annual basis, that no Event of Default or Potential Event of Default (or other matter which is required to be brought to the Trustee's attention) has occurred in respect of the Notes.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
SFM Directors Limited	Blackwell House, Guildhall Yard, London EC2V 5AE	Provision of directors to special purpose companies
SFM Directors (No.2) Limited	Blackwell House, Guildhall Yard, London EC2V 5AE	Provision of directors to special purpose companies

The company secretary of the Issuer is SFM Corporate Services Limited, a company incorporated in England and Wales (registered number 3920255), whose business address is Blackwell House, Guildhall Yard, London EC2V 5AE. The directors of SFM Directors Limited (registered number 3920254), SFM Corporate Services Limited and SFM Directors (No. 2) Limited (registered number 4017430) are Jonathan Eden Keighley, James Garner Smith Macdonald (together with their alternate directors, Helena Paivi Whitaker, Ryan William O'Rourke and Annika Ida Louise Aman-Goodwille) and Robert William Berry, whose business addresses are Blackwell House, Guildhall Yard, London EC2V 5AE, and who perform no other principal activities outside the group which are significant with respect to the group.

3. Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer as at the date of this Offering Circular, adjusted to take account of the issue of the Notes, is as follows:

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital £
50,000	50,000	1	2	49,998	12,501.50

49,999 of the issued shares (being 49,998 shares of £1 each, each of which is paid up as to 25p and one share of £1 which is fully paid) in the Issuer are held by SFM Corporate Services Limited (the "**Share Trustee**") as trustee of the European Loan Conduit No. 14 Securitisation Trust pursuant to a Declaration of Trust declared by the Share Trustee on 3rd June, 2003. The Issuer will, in accordance with the Declaration of Trust, pay the fees and expenses of the Share Trustee. The remaining one share in the Issuer (which is fully paid) is held by Structured Finance Management Limited (registered number 3853947) as nominee for SFM Corporate Services Limited in its capacity as trustee of the European Loan Conduit No. 14 Securitisation Trust.

Tranche A Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2011 ..... £194,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2011 ..... U.S.$52,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2011 ..... £30,000,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2011 ..... £21,100,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2011 ..... £27,000,000
Total Tranche A Loan Capital £304,001,840

Note: the relevant exchange rate used for the Class B Notes was £ = U.S.$1.63

Except as set out above, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Issuer has not created any mortgages or charges nor has it given any guarantees as at the date hereof.

4. Accountants' Report

The following is the text of a report, extracted without material adjustment, received by the directors of the Issuer from BDO Stoy Hayward, who have been appointed as auditors and reporting accountants to the Issuer. BDO Stoy Hayward are chartered accountants and registered auditors. The balance sheet contained in the report does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since the Issuer's incorporation. The Issuer's accounting reference date will be 30th June and the first statutory accounts will be drawn up to 30th June, 2003.

BDO Stoy Hayward

The Board of Directors
Hermione (European Loan Conduit No. 14) plc
Blackwell House
Guildhall Yard
London
EC2V 5AE
(the "Issuer")

3rd June, 2003

The Bank of New York
One Canada Square
48th Floor
Canary Wharf
London E14 5AL
(the "Trustee")

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
(the "Lead Manager" and "Listing Agent")

Dear Sirs

HERMIONE (EUROPEAN LOAN CONDUIT NO. 14) plc (the "Company")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 3rd June, 2003 of the Company (the "Offering Circular") relating to the issue of the £194,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2011, the U.S.$52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2011, the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2011, the £21,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2011 and the £27,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2011.

The Company was incorporated and registered as a public limited company in England and Wales on 19 September 2002 under the name Gorgons (European Loan Conduit No. 12) plc, registered number 04539735. The Company changed its name to Hermione (European Loan Conduit No. 14) plc on 22 January, 2003.

We have been auditors of the Company since our appointment on 23rd April, 2003.

Basis of preparation

The financial information set out in this report is based on the audited non-statutory financial statements of the Company for the period from incorporation to 3rd June, 2003 to which no adjustments were considered necessary.

No audited statutory financial statements have been prepared for submission to the members of the Company in respect of any period.

Responsibility

The financial statements are the responsibility of the directors of the Company and have been approved by them.

The Company is responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in this report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information set out below gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at 3rd June, 2003.

HERMIONE (EUROPEAN LOAN CONDUIT NO. 14) plc

BALANCE SHEET as at 3rd June, 2003

	£
Current assets:	
Cash in hand	12,501.50
Net assets	**12,501.50**
Capital and reserves:	
Called up share capital	12,501.50
Shareholders' funds – equity	**12,501.50**

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

The financial information set out in this report has been prepared under the historical cost convention and in accordance with applicable accounting standards generally accepted in the United Kingdom.

2. Called up share capital

On incorporation the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each.

On 19 September, 2002, one share of £1 was issued fully paid to SFM Corporate Services Limited and one share of £1 was issued fully paid to Structured Finance Management Limited.

On 29 January, 2003, 49,998 ordinary shares of £1 each were issued to SFM Corporate Services Limited and partially called up for cash consideration of £12,499.50.

The shares are held in trust by SFM Corporate Services Limited and Structured Finance Management Limited for the European Loan Conduit No. 14 Securitisation Trust.

3. Profit and loss account

Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. The Company has not entered into any material contracts save for those detailed in the Offering Circular. Consequently neither a profit and loss account nor a statement of total recognised gains and loses have been prepared.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

Morgan Stanley Dean Witter Bank Limited

Morgan Stanley Dean Witter Bank Limited (**"MSDW Bank"**) is a wholly owned subsidiary of Morgan Stanley (**"MS"**). MSDW Bank is active in retail lending through the Morgan Stanley Dean Witter credit card as well as wholesale loan origination and securitisation in the UK and Europe. MSDW Bank is incorporated in England and Wales (registered number 3722571) and has its registered office at 25 Cabot Square, London E14 4QA.

Servicer, Special Servicer and Security Trustee

Morgan Stanley Mortgage Servicing Limited (**"MSMS"**) is a specialist loan servicing company and a subsidiary of MS, operating mainly in the United Kingdom and Ireland. MSMS is incorporated in England and Wales (registered number 3411668) and has its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA.

Interest Rate Swap Provider

Morgan Stanley Capital Services Inc. (**"MSCS"**) is a Delaware corporation, which conducts forward payment business, including interest rate swaps, currency swaps and interest rate guarantees with institutional clients. The office of MSCS is located at 1585 Broadway, New York, New York 10036.

Interest Rate Swap Guarantor

MS is a global financial services firm that maintains three primary businesses: securities, asset management and credit services. MS combines global investment banking (including the origination of underwritten public offerings and mergers and acquisitions advice) with institutional sales and trading, and provides investment and global asset management products and services and, primarily through its Discover Card brand, consumer credit products. MS is incorporated in the State of Delaware.

MSCS is a wholly-owned unregulated subsidiary of MS. MSCS's obligations under the Interest Rate Swap Agreement benefit from an unconditional, irrevocable guarantee of MS under the Interest Rate Swap Guarantee. If MSCS ceases to be the Interest Rate Swap Provider, MS will cease to be the Interest Rate Swap Guarantor. The long term, unsecured, unsubordinated debt obligations of MS are rated "AA-" by Fitch, "Aa3" by Moody's and "A+" by S&P and the short term, unsecured, unsubordinated debt obligations of MS are rated "F1+" by Fitch, "P-1" by Moody's and "A-1" by S&P. The consolidated accounts of MS are available on request.

FX Swap Provider

JPMorgan Chase Bank (**"Chase"**) is a wholly owned bank subsidiary of J.P. Morgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. Chase is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities.

The long term, unsecured, unsubordinated debt obligations of Chase are rated "A+" by Fitch, "Aa3" by Moody's and "AA-" by S&P and the short term, unsecured, unsubordinated debt obligations of Chase are rated "F1" by Fitch, "P-1" by Moody's and "A-1+" by S&P. Additional information, including the most recent Form 10-K for the year ended December 31, 2002 of J.P. Morgan Chase & Co., the 2002 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

Liquidity Facility Provider

Lloyds TSB Bank plc, acting through its corporate office located at Faryner's House, 25 Monument Street, London EC3R 8BQ will act as the Liquidity Facility Provider under the Liquidity Facility Agreement and is

regulated by the Financial Services Authority. The long term, unsecured, unsubordinated debt obligations of Lloyds TSB Bank plc are rated "AA+" by Fitch, "Aaa" by Moody's and "AA" by S&P and the short term, unsecured, unsubordinated debt obligations of Lloyds TSB Bank plc are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

Operating Bank

The specified office of HSBC Bank plc is at Mariner House, Pepys Street, London EC3N 4DA. It will be appointed as the Operating Bank pursuant to the Cash Management Agreement in relation to the Transaction Account, Stand-by Account, Swap Collateral Cash Accounts and Swap Collateral Custody Accounts. The long term, unsecured, unsubordinated debt obligations of HSBC Bank plc are rated "AA" by Fitch, "Aa2" by Moody's and "AA-" by S&P and the short term, unsecured, unsubordinated debt obligations of HSBC Bank plc are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

Principal Paying Agent, Cash Manager, Agent Bank and Exchange Agent

HSBC Bank plc, whose specified office is at Mariner House, Pepys Street, London EC3N 4DA, will be appointed as Principal Paying Agent and Agent Bank under the Agency Agreement, as Cash Manager under the Cash Management Agreement and as Exchange Agent under the Exchange Rate Agency Agreement.

Sub-Paying Agent

HSBC Global Investor Services (Ireland) Limited whose principal office is at International House, 20-22 Lower Hatch Street, Dublin 2, Ireland will be appointed as Sub-Paying Agent under the Agency Agreement.

Depository and Registrar

HSBC Bank USA, whose principal office is at 452 Fifth Street, New York, New York 10018, will be appointed as Depository under the Depository Agreement and Registrar under the Agency Agreement.

Corporate Services Provider and Share Trustee

SFM Corporate Services Limited has its registered office at Blackwell House, Guildhall Yard, London EC2V 5AE.

Trustee

The Bank of New York is a New York banking corporation whose London branch address is at One Canada Square, 48th Floor, Canary Wharf, London E14 5AL. The Trustee will be appointed pursuant to the Trust Deed to represent the interests of the Noteholders. The Trustee will agree to hold the benefit of the covenants of the Issuer contained in the Trust Deed on trust for the Noteholders and the security created by, under or pursuant to the Deed of Charge and Assignment for the benefit of, the Noteholders and the other Secured Parties.

Among other things, the Trust Deed:

(a) sets out when, and the terms upon which, the Trustee will be entitled or obligated, as the case may be, to take steps to enforce the Issuer's obligations under the Notes (or certain other relevant documents) or to enforce the security created by the Issuer under the Deed of Charge and Assignment;

(b) contains various covenants of the Issuer relating to repayment of principal and payment of interest in respect of the Notes, to the conduct of its affairs generally and to certain ongoing obligations connected with its issuance of the Notes;

(c) provides for the remuneration of the Trustee, the payment of expenses incurred by it in the exercise of its powers and performance of its duties and provides for the indemnification of the Trustee against liabilities, losses and costs arising out of the Trustee's exercise of its powers and performance of its duties;

(d) sets out whose interests the Trustee should have regard to when there is a conflict between the interests of different classes of Noteholder;

(e) provides that the determinations of the Trustee will be conclusive and binding on the Noteholders;

(f) sets out the extent of the Trustee's powers and discretions, including its rights to delegate the exercise of its powers or duties or agents, to seek and act upon the advice of certain experts and to rely upon certain documents without further investigation;

(g) sets out the scope of the Trustee's liability for any breach of duty or breach of trust, negligence or default in connection with the exercise of its duties, including losses resulting from any disposal by the Trustee pursuant to the Deed of Charge and Assignment of the property secured in its favour thereunder;

(h) sets out the terms upon which the Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of covenant by the Issuer or determine that an Event of Default (as defined in Condition 10) or any event, condition or act, which, with the giving of notice and/or the lapse of time and/or the Trustee issuing any relevant notice, would constitute an Event of Default (any such event, condition or act, a **"Potential Event of Default"**) will not be treated as such;

(i) sets out the terms upon which the Trustee may, without the consent of the Noteholders, make or sanction any modification to the Conditions or to the terms of the Trust Deed or certain other relevant documents; and

(j) sets out the requirements for and organisation of Noteholder meetings.

The Trust Deed also contains provisions governing the retirement or removal of the Trustee and the appointment of a successor Trustee. The Trustee may at any time and for any reason resign as Trustee upon giving not less than three months' prior written notice to the Issuer. The holders of the Notes of each class, acting by Extraordinary Resolution, may together remove the Trustee from office. No retirement or removal of the Trustee (or any successor Trustee) will be effective until a trust corporation has been appointed to act as successor Trustee.

The appointment of a successor Trustee will be made by the Issuer or, where the Trustee has given notice of its resignation and the Issuer has failed to make any such appointment by the expiry of the applicable notice period, by the Trustee itself. No person may be appointed to act as a successor Trustee unless that person has been previously approved by an Extraordinary Resolution of each class of the Noteholders.

INDUSTRIOUS MTL (JERSEY) LIMITED PARTNERSHIP (THE BORROWER)

The Industrious MTL (Jersey) Limited Partnership ("**MTLJLP**" or the "**Borrower**") was registered on 28th November 2002 (registered number 353) as a limited partnership under the Limited Partnerships (Jersey) Law 1994. The registered office of the Borrower is at 22 Grenville Street, St. Helier, Jersey, JE4 8PX.

A limited partnership agreement (the "**Partnership Agreement**") was executed on 2 December 2002 and made between Industrious MTL (Jersey) General Partner Limited ("**MTLGP**") (which is a wholly owned subsidiary of Industrious) as general partner and the initial limited partners who assigned their interest to Industrious MTL Partner UK Limited who subsequently assigned its interest to Industrious MTL Security (Jersey) Limited.

Limited partnership interest in the Borrower is now held by Industrious MTL Security (Jersey) Limited ("**MTL Jersey Co**") which is a wholly owned subsidiary of Industrious Holdings.

1. Principal Activities

The principal objectives of the Borrower are set out in Clause 2.4 of the Partnership Agreement and are, *inter alia*, to acquire, hold, apply, invest in, manage, develop, realise and deal in the permitted investment, which includes the Properties. The Borrower has undertaken pursuant to the Credit Agreement not to carry on any business other than relating to the ownership and management of its interests in the Properties and further has undertaken not to have any employees.

The Borrower is not, and has not been, involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Borrower is aware) which may have, or have had, since the date of its establishment, a significant effect on the Borrower's financial position.

2. Capitalisation and Indebtedness

As at 19th May 2003 the capitalisation of the Borrower was £35,478,155. MTL Jersey Co has not contributed any sums to the Borrower by way of loans. MTLGP has not contributed any sums to the Borrower, either by way of partnership capital or loans.

3. Loan Capital

The outstanding loan capital of the Borrower consists of the sum of £326,890,000 currently outstanding under the Loan and certain other indebtedness owing to associated companies, all of which is fully subordinated to monies owing under the Credit Agreement. The Borrower is liable for the repayment of the drawing and all other obligations under the Credit Agreement.

Except as set out above, the Borrower has no outstanding loan capital, borrowings, financial indebtedness or contingent liabilities and the Borrower has not created any mortgages, standard securities, charges or security interests, nor has it given any guarantees as at the date hereof.

4. Financial Position

The Borrower has commenced operations, however no statutory or non-statutory accounts in respect of any financial year of the Borrower have been prepared.

Except as described above, since 2nd December, 2002 there has been (i) no material adverse change in the financial position or prospects of the Borrower and (ii) no significant change in the trading or financial position of the Borrower.

5. Industrious MTL (Jersey) General Partner Limited

MTLGP was incorporated in Jersey on 11th November 2002 (registered number 84331) as a private company with limited liability. The registered office of MTLGP is at 22 Grenville Street, St. Helier, Jersey, JE4

8PX. MTLGP is a wholly owned subsidiary of Industrious. MTLGP is a special purpose vehicle whose principal business is the investment in real estate in the United Kingdom.

MTLGP is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MTLGP is aware) which may have, or have had, since the date of its incorporation, a significant effect on MTLGP's financial position.

INDUSTRIOUS FINANCE UK LIMITED

Industrious Finance UK Limited ("**Industrious Finance**") was incorporated in England on 29th July, 2002 under the name Jackway Ltd (registered number 4498067) as a private company with limited liability under the Companies Act 1985 in connection with the transaction contemplated by the Credit Agreement and its name was changed from Jackway Ltd to Industrious Finance UK Limited on 22nd November, 2002. The registered office of Industrious Finance is Cranford House, Kenilworth Road, Leamington Spa, Warwickshire, CV32 6RQ. Industrious Finance is a wholly owned subsidiary of Chambercroft and has no subsidiaries of its own.

Industrious Finance entered into a credit agreement dated 9th December, 2002 (the "**Credit Agreement**") with, *inter alios*, MSDW Bank which advanced, pursuant to such Credit Agreement, a loan (the "**Loan**") of £329,000,000 (now, following an amortisation payment made in April 2003, reduced to £326,890,000). On 19th May, 2003, Industrious Finance novated the Loan, with MSDW Bank's approval, to the Borrower.

1. Origination of the Loan

The Loan was made by MSDW Bank on 10th December, 2002 pursuant to a Credit Agreement dated 9th December, 2002 (the "**Credit Agreement**"), following MSDW Bank having obtained satisfactory legal due diligence.

The Borrower has the right to substitute a limited number of Properties with other properties in accordance with the terms set out in the Loan and Related Security documentation. See "Disposal and Substitution of Properties", below.

2. Novation of the Loan

MSDW Bank consented to the novation of the Loan (as described above, see "Transaction Overview") which resulted in the Loan being novated by Industrious Finance to MTLJLP. MTLJLP has also acquired all the Properties that were formerly held by several wholly owned subsidiaries of Industrious (other than one Property (Fradley Aerodrome), which remains owned by the relevant Property Company (Industrious (Fradley)).

Consent to the transfer of Properties and novation of the Credit Agreement was conditional, *inter alia*, upon no default having occurred under the Credit Agreement; all properties being transferred subject to existing security; all licences, consents and tax consents being obtained; and any stamp duty and registration fees being paid by the Borrower. MTLJLP also granted Supplementary Debentures creating first fixed legal mortgages over any Properties transferred to it. All relevant parties also entered into a novation and restatement agreement in respect of the Credit Agreement.

The Properties were transferred at market value, although the consideration was left outstanding by way of an intra group loan, which is fully subordinated.

3. Legal Due Diligence

Following the approval in principle of the loan facility, certain legal due diligence procedures were followed before the Loan was advanced. Details of these procedures are set out below.

(A) General Information

MSDW Bank's external English legal advisers in relation to the origination of the Loan are Messrs. Denton Wilde Sapte ("**Denton Wilde Sapte**"). Denton Wilde Sapte initially obtained (and, where reasonably possible, checked) general information relating to the proposed facility including details of the Borrower's shareholders, any borrowings that it has entered into, the accounts to be operated in connection with the proposed facility, the arrangements proposed relating to the collection of rents and/or management of the property, and insurance of the Properties.

(B) Property Title Investigation

An important part of the legal due diligence process was to verify that the prospective Mortgagors have, and following the novation and reorganisation referred to above, would have, good title to the property to be charged, free from any encumbrances or other matters which would be considered to be of a material adverse nature.

Certificates of Title Prepared by Borrower's Solicitors:

The Borrower instructed its solicitors Edwards Duthie and Coley & Tilley to issue Certificates of Titles in relation to each of the Properties. Denton Wilde Sapte has satisfied itself that the Borrower's solicitors are of sufficient standing and competence to deliver a report on title in respect of the relevant Property.

Denton Wilde Sapte have reviewed the draft form of the Certificates (which are in the City of London Solicitors' Company recommended form of certificate of title) to ensure that they cover all relevant matters, and, once the draft Certificates were issued, they raised requisitions in case of any omissions, ambiguities or material disclosures in the report.

It should be noted that the information relating to occupational tenancies contained in the Certificates is correct as of the Valuation Date. Where subsequent changes have come to the attention of Denton Wilde Sapte, this was included in the Certificates, however in so far as changes to the occupational tenancies affecting the Properties occurring after the Valuation Date are concerned, no general further searches and enquiries have been made and the Certificates may not be complete. The Borrower has, however, confirmed that, viewing the Properties as a whole, there has been no material change to the level of rental income receivable in respect of the Properties since the Valuation Date.

Following this review, Denton Wilde Sapte prepared a summary report for MSDW Bank. The report confirmed approval of the form and content of the Certificates of Title and highlighted any material or unusual matters but otherwise confirmed that, in their opinion, the prospective Mortgagor has (or would have on completion of any necessary registration and the granting of any necessary consent) good title to the property. The report does not cover matters relating to the structure or construction of the relevant property or any credit checks on the borrower or occupational tenants. See "Risk Factors — Environmental Risks" above for details of the level of environmental due diligence.

Denton Wilde Sapte also highlighted in their report matters that they considered should be drawn to the attention of the valuers, checked that the valuers providing the valuation of a property had a copy of the report, and cross checked and verified basic details relating to the Properties (namely tenure and term and rents for any occupational tenancies) set out in any valuation received by them.

(C) Capacity of Borrower/Mortgagor

In relation to any relevant Charging Group Company where the same is incorporated in England and Wales, Denton Wilde Sapte have satisfied themselves that the relevant company was validly incorporated, has sufficient power and capacity to enter into the proposed transaction, whether it is subject to any existing mortgages or charges, whether it is the subject of any insolvency proceedings, and generally that any formalities required to enter into the proposed transaction with MSDW Bank have been (or would be by completion) completed.

In relation to the Borrower and companies incorporated outside England and Wales lawyers competent in the relevant jurisdiction were instructed on behalf of MSDW Bank to undertake (so far as reasonably practicable and taking account of jurisdictional differences) the same enquiries under the law of the relative jurisdiction (and noting that there is no register of company security interests in Jersey).

(D) Structural/Environmental Reports

No reports relating to the structure or construction of any of the Properties have been obtained nor have any environmental surveys been undertaken. A limited number of enquiries have been raised of the Environment Agency, the local authority and the Mortgagors as referred to above; see "Risk Factors — Environmental Risks".

(E) Reliance on Legal Due Diligence

The legal due diligence referred to above is in each case addressed to MSDW Bank and the Security Trustee; it will not be updated prior to the sale of the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust created over the Related Security to the Issuer and the assignment thereafter by way of security to the Trustee, nor will it be re-addressed either to the Issuer or the Trustee. The Issuer and the Trustee will instead each rely solely on the Representations and Warranties to be given by MSDW Bank to the Issuer and the Trustee which are contained in the Loan Sale Agreement. See "Acquisition — Loan Sale Agreement" below.

4. Drawdown and Post-Completion Formalities

Denton Wilde Sapte ensure that all necessary English registration formalities and the service of notices are dealt with at drawdown or, as appropriate, within any applicable priority or other time periods following drawdown. In relation to other jurisdictions undertakings are obtained as appropriate from the relevant lawyers to attend to such matters in the same manner. Formal notice of charge has not however been served on individual occupational tenants given the number of them. See "Risk Factors — The Issuer's Ability to Meet its Obligations under the Notes: the Tenants" above.

In relation to registrations at H.M. Land Registry, these will be undertaken by the Borrower's solicitors, who have undertaken to effect the registrations and forward the relevant charge certificate when the registration has been completed (and, in the meantime, to hold the deeds to the order of Sidley Austin Brown & Wood on behalf of the Security Trustee). Occupational leases in relation to the Properties have been released to the Borrower's solicitors in order to deal with day to day management matters, and the Borrower's solicitors have provided an unconditional undertaking to hold them to Sidley Austin Brown & Wood's order and to deliver them on demand.

5. Information on the Loan and the Related Security

The Loan and the Related Security will comprise the Credit Agreement and *inter alia*, a debenture and supplemental debentures from the Borrower (incorporating, *inter alia*, a first fixed charge over the Rent Account and other accounts and fixed and floating charges over all the Borrower's assets), third party debentures (incorporating fixed and floating charges over the assets and a legal mortgage in respect of Property owned by it, excluding any Jersey situs-assets to which a floating charge will not apply) from MTLGP, MTL Jersey Co and Industrious (Fradley) (together with the Borrower the "**Charging Group Companies**"), charges, or security interests over, the shares in MTL Jersey Co, MTLGP and Industrious (Fradley). MTL Jersey Co has also agreed to grant a security interest in respect of its limited partnership interest in MTLJLP, conditional upon a material adverse change in the position of the Borrower or an event of default under the Credit Agreement occurring (meaning that the relevant security interest agreement provides for the creation of such security interest in certain circumstances: there is no such security interest at the date of this Offering Circular).

A Priority and Intercreditor Agreement was entered into on 3rd June, 2003, between MSDW Bank, MSMS and the Tranche B Lender, regulating the respective priorities of MSDW Bank (as the Tranche A Lender) and the Tranche B Lender under the Loan. See " — The Tranche A Loan and the Tranche B Loan" below.

The Charging Group Companies have entered into a subordination agreement with certain other group companies (the "**Subordinated Lenders**") in order to subordinate any claim the Subordinated Lenders or any of them may have against any of the Charging Group Companies to any claim of MSDW Bank or the Security Trustee in respect of the liabilities arising under or in connection with the Loan.

The Duty of Care Agreement in favour of the Security Trustee has been obtained from IAM (relating to, *inter alia*, rent collection and property management).

The security documentation is described in more detail under "Terms of the Debentures" and "Related Security" below.

Subject to any prepayment made in accordance with the Credit Agreement, the Loan is scheduled to be repaid in full on 17th October, 2009. Under the terms of the Credit Agreement, the Borrower and MSDW Bank agrees to scheduled repayment instalments as follows:

Date of Repayment Instalment	Amount of Repayment Instalment
17 July, 2003	£ 960,000
17 October, 2003	£1,000,000
17 January, 2004	£1,160,000
17 April, 2004	£1,230,000
17 July, 2004	£1,270,000
17 October, 2004	£1,150,000
17 January, 2005	£1,220,000
17 April, 2005	£1,400,000
17 July, 2005	£1,360,000
17 October, 2005	£1,410,000
17 January, 2006	£1,460,000
17 April, 2006	£1,780,000
17 July, 2006	£1,830,000
17 October, 2006	£1,860,000
17 January, 2007	£1,870,000
17 April, 2007	£1,880,000
17 July, 2007	£1,890,000
17 October, 2007	£1,830,000
17 January, 2008	£1,970,000
17 April, 2008	£1,870,000
17 July, 2008	£1,670,000
17 October, 2008	£1,160,000
17 January, 2009	£ 920,000
17 April, 2009	£1,080,000
17 July, 2009	£1,220,000
17 October, 2009	£290,440,000

Interest payable in relation to the Loan is at a fixed rate, accrues daily and is payable quarterly in arrear. Interest payment dates under the Credit Agreement correspond to the repayment dates scheduled as above. The interest rate was notified to the Borrower by MSDW Bank prior to making the Loan.

Interest payable in relation to the Tranche A Loan, and the payments of principal on the Tranche A Loan, are described under "The Tranche A Loan and Tranche B Loan" below.

The Properties are let to a number of third party tenants (although certain units are vacant). Such vacancies and certain other matters concerning the tenancies could affect the value of a Property; these are part of the normal risks of lending on the security of let property and are referred to at "Risk Factors — The Issuer's Ability to Meet its Obligations under the Notes: The Tenants".

6. Terms of the Loan

The Credit Agreement is governed by English law. The Credit Agreement contains the types of representations and warranties and undertakings on the part of the Borrower that a reasonably prudent lender would usually require. MSDW Bank is entitled to assign to the Issuer, without any restriction, all or any of its rights under the Credit Agreement and its beneficial interest in the Security Trust. A summary of the principal terms of the Credit Agreement is set out below.

(A) Loan Amount and Drawdown and Further Advances

The outstanding principal amount of the Loan as at the date of this document (herein, the "**Loan Amount**") is £326,890,000 (of which £304,001,840 comprises the Tranche A Loan).

The Credit Agreement places no obligation on MSDW Bank, nor will there be any obligation on the Issuer, to make any further advance to the Borrower and, following the sale to the Issuer of the Tranche A Loan and transfer to the Issuer of MSDW Bank's beneficial interest in the Security Trust over the Related Security, the Servicer will not be permitted under the Servicing Agreement to agree to an amendment of the terms of the Loan that would require the Issuer to make any further advances to the Borrower on behalf of the Issuer.

(B) Conditions Precedent

MSDW Bank's obligation to advance the Loan under the Credit Agreement is subject to it receiving, in the usual manner, certain documents as conditions precedent to funding. The documentation required includes, *inter alia*: constitutional documents and appropriate board minutes for each of the Charging Group Companies and any other parties to the Credit Agreement and related finance documents (the "**Finance Documents**"), a valuation in respect of the Property, evidence of insurance cover in respect of the Property, Certificates of Title in relation to the Properties, all title deeds and occupational tenancy agreements (or undertakings in relation to such title deeds or occupational tenancy agreements) in respect of the Properties, security documents (and releases of existing security), all appropriate UK and other tax clearances and all relevant legal opinions, and notices in connection with the assignment of rental income and charging of bank accounts.

(C) Interest and Amortisation Payments/Repayments

Interest is paid quarterly in arrear on the designated Loan Payment Dates (see above) in respect of successive interest periods (each referred to herein as an "**Interest Period**").

The Loan is repayable in full on 17th October, 2009, subject to various provisions regarding prepayment in whole or part.

The provisions regarding prepayment of the Loan permit the Borrower to prepay the Loan on any Loan Payment Date (or at any other time provided an amount of interest as would have been payable on the amount prepaid on the next Loan Payment Date will also be payable) in whole or in part (subject to a minimum of £250,000) on the giving of not less than 10 days' prior notice to MSDW Bank and subject to payment of certain prepayment fees if prepayment takes place before 18th January, 2008.

Such prepayment fees will not be payable in circumstances, *inter alia*, where the Borrower prepays on account of an increase in Lender's costs which have been passed on to it, or where the Borrower is obliged to gross up interest payable on the Loan.

On each Loan Payment Date, monies are debited from the Rent Account to discharge any interest and/or principal payments due under the Credit Agreement. Subject to there being no event of default under the Credit Agreement and the Interest Cover Percentages being at or above the prescribed level, any surplus monies standing to the credit of the Rent Account on the relevant Interest Payment Date (after payment of certain other prescribed costs, fees and expenses) will be paid to the Borrower.

(D) Accounts

Rental income from the Properties is paid initially to managing agents and then into a rent account (the "**Rent Account**") in the name of the Borrower which is charged in favour of the Security Trustee, proceeds (or a portion of proceeds) of any sale or disposal of any Property is to be paid into an interest bearing deposit account (the "**Sales Account**") and all lump sum capital or premium payments payable including, amounts payable (a) under a compulsory purchase order, and (b) in respect of any permitted surrender of lease, are to be paid into an interest bearing deposit account (the "**Premium Account**"). All accounts are in the name of the Borrower and charged to the Security Trustee. For more detailed information see "The Structure of the Accounts" below.

(E) Substitution/Release of Property

The Borrower is permitted under the terms of the Credit Agreement to dispose of a Property (a "**Released Property**") and substitute that Property with another of equivalent quality (an "**Additional Property**") (which shall be charged by way of security) only with the prior written consent of the Security Trustee, whose consent will not be unreasonably withheld where certain conditions are met, including the following:

a) the value of the Released Property when aggregated with properties already released, does not exceed £77,939,340, which corresponds to approximately 20 per cent. of the aggregate value of the Properties as at the Valuation Date;

b) no default is subsisting under the Loan;

c) the projected Interest Cover Percentages (after the substitution of the Additional Property) is not less than (i) 120 per cent. up to and including 1st January, 2005 and (ii) 125 per cent. thereafter; and

d) the net rental income after the substitution of the Additional Property is sufficient to repay the Loan.

Alternatively, the Borrower may sell or dispose of a Property for a premium equal to its full open market value provided it pays into the Sales Account an amount equal to 115 per cent. of the amount initially lent against that Property together with an amount calculated by the Security Trustee as prepayment fees, losses and expenses (the "**Release Sum**"). Should the sale proceeds not be sufficient to cover the full amount payable into the Sales Account, the Borrower may make up any shortfall. To the extent sale proceeds exceed the amount payable, the excess shall be transferred to the Borrower.

Under the terms of the Credit Agreement, the Security Trustee can authorise withdrawals from the blocked Sales Account to pay any amount due under the Finance Documents (where there are insufficient monies in the Rent Account), to purchase additional properties which are to be subject to the security, to make a prepayment of the Loan in accordance with the terms of the Credit Agreement or to make capital improvements where the cost is not recoverable from an occupational tenant.

(F) Representations and Warranties

The representations and warranties given by the Borrower under the Credit Agreement, as of the date of the Credit Agreement, the date of drawdown and each Loan Payment Date, include, *inter alia*, the following statements, made on its own behalf and in respect of, *inter alios*, each other Charging Group Company:

a) each company is duly incorporated as a limited liability company, and in the case of MTLJLP as a Jersey limited partnership and has the requisite power to own its assets, and to enter into, perform and deliver the Finance Documents and such entry into and performance of the Finance Documents will not conflict with any law or regulation;

b) no event of default has occurred or will occur as a result of the making of the Loan and no litigation or other proceedings have been commenced which could have a material adverse effect on its ability to perform under the Finance Documents;

c) subject to due registration of the relevant Security Documents, all authorisations required in connection with entry into, performance, validity and enforceability of the Finance Documents have been obtained or effected and are in full force and effect;

d) the information supplied to MSDW Bank and/or the Security Trustee in connection with the Finance Documents is true accurate and complete;

e) the relevant Charging Group Company or the Borrower (as the case may be) is the legal and beneficial owner of the Properties as ascribed to each in the relevant Schedule to the Credit Agreement;

f) MTLGP and Industrious (Fradley) are directly wholly owned by Industrious, MTL Jersey Co is wholly owned by Industrious Holdings, and the Borrower is a limited partnership between MTLGP and MTL Jersey Co;

g) since the date of its incorporation, or in the case of the Borrower its establishment, none of the Borrower, the GP nor the Limited Partner has carried on any business nor incurred any actual or contingent liabilities which are outstanding other than in connection with the Credit Agreement and the assumption of liability under the Finance Documents to which it is a party; and

h) the obligations of each Charging Group Company, the Borrower, Industrious, and Industrious Holdings, under the Finance Documents, the Partnership Agreement and the Contribution Agreement to which each is a party constitute its legal, valid, binding and enforceable obligations.

(G) Undertakings

The Borrower gives various undertakings under the Credit Agreement (on its own behalf and in respect of each other Charging Group Company as appropriate) which take effect so long as any amount is outstanding under the Loan. The undertakings include, *inter alia*, the following:

a) to provide financial information on an ongoing basis, including audited consolidated accounts as soon as possible at the end of a financial year;

b) to supply the Security Trustee with details of shareholder documentation;

c) to supply details of any material litigation;

d) to notify the Security Trustee of any potential event of default under the Credit Agreement;

e) not to permit or allow any charge to arise over any of its assets and not (without the Security Trustee's consent) to sell, transfer, lease or otherwise dispose of all or a substantial part of its assets;

f) to insure all relevant Properties on a full reinstatement value basis (on terms acceptable to the Security Trustee), noting the interest of the Security Trustee on all relevant policies of insurance; and

g) to maintain Interest Cover Percentages of over 110 per cent.

(H) Events of Default

The Credit Agreement contains usual events of default entitling (subject to the proviso below) the lenders under the Credit Agreement to terminate the Loan and/or enforce their security, including, *inter alia*;

a) the failure to pay on the due date any amount due under the Finance Documents;

b) breach of obligations under the Finance Documents;

c) any representation or warranty was incorrect at the date it was given;

d) any Charging Group Company or MTLJLP is deemed insolvent or unable to pay its debts or other insolvency acts or events occur; or

e) an event occurs which has a material adverse effect on the ability of the Borrower's or any Mortgagor's ability to comply with any of the Finance Documents or the business, financial condition or assets of the Charging Group,

provided, that for so long as any of the Tranche A Liabilities are outstanding, the Tranche B Lender shall not, pursuant to the Priority and Intercreditor Deed, enforce any Event of Default under the Loan until the Tranche A Liabilities have been paid in full.

In relation to non-payment and breaches of other obligations, grace periods are agreed but in no instance for periods longer than 5 business days or 20 business days respectively.

7. Terms of the Debentures

The Debentures and Supplementary Debentures secure all the obligations of the Borrower to MSDW Bank pursuant to the Credit Agreement and are drafted on a security trust basis, so that the Security Trustee holds the security created pursuant to the Debenture and Supplementary Debentures on trust for MSDW Bank and any other lender(s). The company providing the security is referred to below as the "**Chargor**".

(A) Creation of Security

The Borrower has entered into a Debenture and the Charging Group Companies have entered into Supplementary Debentures, which grant first (save in the case of one Property) ranking charges by way of legal mortgage over the relative Properties, an equitable charge over any other property, plant and machinery connected with the Properties, first fixed charges over the Rent Account, any other account opened in connection with the Loan, the benefit of any insurance policy relating to the Properties, book and other debts, the goodwill and uncalled capital of the Borrower and the shares in any (English incorporated) subsidiaries.

In the case of one Property (Droitwich Road, Worcester) the legal charge in favour of the Security Trustee ranks second behind a mortgage in favour of the seller of the Property which secures additional consideration or "overage" payable being a percentage of any increased value of the Property realised as a result of any redevelopment of the Property.

(B) Representations and Warranties

The Chargor makes representations and warranties under the Debenture, or Supplementary Debenture (on the date the Debenture is entered into, the date of any drawdown notice and on each Loan Payment Date) including (where appropriate) to the effect that it is the legal and beneficial owner of the Property, that there is no breach of any law or regulation that might materially affect the value of the Property nor any facility or right required for the necessary use and enjoyment of the Property that is liable to be terminated and that the Property is in good and substantial repair and complies with all provisions of any applicable environmental law.

The representations and warranties referred to above are qualified (to the extent applicable) by the report on title in relation to the relevant property and to those matters which the Chargor is aware of.

(C) Undertakings

The Chargor (in each case) undertakes under the Debenture, or Supplementary Debenture, as the case may be, not to, *inter alia*, permit or allow any charge or encumbrance to arise over the Property or sell or dispose of any asset charged as security (save for assets charged by way of floating security only, and disposed of in the ordinary course of business), that it will keep the Property in good and substantial repair and that it will comply with obligations contained in any leases or covenants and all statutes and obligations affecting the Property.

(D) Enforceability

The security created by the Debenture and Supplementary Debentures may only be enforced once an event of default under the Credit Agreement has occurred. The charge confers upon the Security Trustee and any receiver appointed by it a wide range of powers in connection with the sale or disposal of the property and its management, and each of them is granted a power of attorney on behalf of the Chargor in connection with the enforcement of its security.

8. The Related Security

In addition to the Debenture, the Borrower enters into and grants or procures various further related security as referred to above in this section.

A security interest in or over all shares in each of MTLGP and MTL Jersey Co and a charge over all shares in Industrious (Fradley) (together the "**Share Charges**" and each a "**Share Charge**") creating respectively, a first ranking security interest over all shares (by way of possessory security) in MTLGP and MTL Jersey Co and (by way of assignment) all associated distribution rights, and a first fixed charge over all shares in Industrious (Fradley) and all associated distribution rights.

The chargor under the Share Charge gives usual representations as to, *inter alia*, its ownership of the security property and also undertakes in the usual manner, *inter alia*, not to sell, transfer or otherwise dispose of the security property.

All borrowing obligations of the Borrower to a party other than MSDW Bank (a "**Subordinated Lender**") are fully subordinated to all amounts due to MSDW Bank under its Credit Agreement. The Borrower typically undertakes, *inter alia*, not to secure any part of the subordinated liabilities and not to repay all or any part of the subordinated liabilities. This is qualified to the extent that surplus monies released to the Borrower can be used to make such payments. The Subordinated Lender gives the usual undertakings, including in particular that it will not take any steps leading to the administration, winding up or dissolution of the Borrower.

IAM, which has been appointed as managing agent of the Properties, has undertaken pursuant to the Duty of Care Agreement to collect the rental income from the Properties and to pay the net amount (after deductions of service charge amounts and VAT) on a daily basis into the Rent Account (without set-off or counterclaim) when received and to notify MSDW Bank of any material breach or default on the part of a tenant or occupier of the Property, or of any damage to the Property. Pursuant to the Duty of Care Agreement, IAM has declared a trust over such rental income and undertaken to transfer the net rental income on a daily basis into the Rent Account.

9. The Tranche A Loan and the Tranche B Loan

On 3rd June, 2003, MSDW Bank transferred a participation of £22,888,160 of principal amount of the Loan (the "**Tranche B Loan**") to another lender (the "**Tranche B Lender**"). MSDW Bank (in such capacity, the "**Tranche A Lender**") retained £304,001,840 of principal amount of the Loan (the "**Tranche A Loan**" and with the Tranche B Loan, each a "**Tranche**"). Pursuant to the terms of a priority and intercreditor agreement dated 3rd June, 2003 (the "**Priority and Intercreditor Agreement**") between MSDW Bank, the Tranche B Lender and MSMS as the Security Trustee, Servicer and Special Servicer, MSDW Bank and the Tranche B Lender have established the priorities of payment and subordination between the Tranche A Loan and the Tranche B Loan. Pursuant to the terms of an accession and novation agreement dated 5th June, 2003 (the "**Accession and Novation Agreement**") between MSDW Bank, the Issuer, the Tranche B Lender and MSMS as the Security Trustee, Servicer and Special Servicer, MSDW Bank transferred all of its rights and obligations under the Priority and Intercreditor Agreement to the Issuer.

The Priority and Intercreditor Agreement provides that all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to MSDW Bank owing under the Tranche A Loan (the "**Tranche A Liabilities**") shall rank in relation to all sums, liabilities and obligations (whether actual, contingent, present or future) due or owing by the Borrower to the Tranche B Lender owing under the Tranche B Loan (the "**Tranche B Liabilities**") in accordance with the Priority and Intercreditor Agreement.

The Tranche B Lender has the right to assign or otherwise transfer the whole of the Tranche B Loan and its interest and benefit in the Priority and Intercreditor Agreement and the Credit Agreement to any person to whom all of its rights, benefits and obligations under any of the Finance Documents are assigned or transferred in accordance with the provisions thereof. On a transfer by the Tranche B Lender of the Tranche B Liabilities, the transferee must deliver an accession deed to the Security Trustee pursuant to the Priority and Intercreditor Agreement and a transfer certificate pursuant to the Credit Agreement, and the transferor will be relieved of all obligations and liabilities under Priority and Intercreditor Agreement and the Credit Agreement and such obligations and liabilities shall be assumed by the transferee under the accession deed and transfer certificate.

(A) Interest Rate:

The interest rate applicable to the Tranche A Loan and the Tranche B Loan from time to time will be calculated as follows:

The interest rate applicable to the Tranche A Loan (the "Tranche A Coupon") on any Interest Payment Date shall be:

$$C_{Ap} = ((B_p * C_p) - (B_{Bp} * C_{Bp}))/B_{Ap} + XSE_p$$

and

the interest rate applicable to the Tranche B Loan (the "Tranche B Coupon") on any Interest Payment Date shall be:

$$C_{Bp} = 9.15\% - \max(0, (30\% - (B_p/B_{p=0})) * 20\%) - XSE_p$$

where:

C_p is the interest rate on the Loan at period p;
C_{Ap} is the Tranche A Coupon of the Tranche A Loan at period p, provided that such number shall never be less than zero per cent.;
C_{Bp} is the Tranche B Coupon of the Tranche B Loan at period p, provided that such number shall never be less than zero per cent.;
B_p is the Principal Amount Outstanding of the Loan at period p;
B_{Ap} is the Principal Amount Outstanding of the Tranche A Loan at period p;
B_{Bp} is the Principal Amount Outstanding of the Tranche B Loan at period p;
$B_{p=0}$ is the outstanding principal balance of the Loan as at the Closing Date (£326,890,000); and
XSE_p are any accrued and unpaid Extraordinary Servicing Expenses as at period p, which will be expressed as a rate based on the period and the Principal Amount Outstanding of the relevant Tranche as at such period.

(B) Payments on the Tranche A Loan and Tranche B Loan prior to Enforcement of the Notes:

On each Loan Payment Date, the Security Trustee will determine which amounts received into the Tranching Account from the Rent Account comprise amounts paid from the Rent Account to the Tranching Account in respect of interest paid pursuant to the Credit Agreement ("**Loan Interest Receipts**") and which amounts comprise repayment instalments paid by the Borrower pursuant to the Credit Agreement and any other amounts paid from the Rent Account to the Tranching Account in respect of principal on the Loan ("**Loan Principal Receipts**").

Payments of interest:

On each Loan Payment Date occurring prior to the service of a Note Enforcement Notice, the Security Trustee shall apply monies in respect of Loan Interest Receipts standing to the credit of the Tranching Account on such date in or towards the following items (and, if the credit balance in the Tranching Account is insufficient to pay all those items, in the following order):

(i) first, in payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders and/or unpaid fees, costs and expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the Security Trustee) under the Finance Documents which are due to them but are unpaid provided such have been notified to the Borrower not less than 5 Business Days in advance;

(ii) secondly, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) to the Tranche A Lender under the Finance Documents and insofar as such relates or is attributable to the Tranche A Loan (and, for this purpose, interest accrued and payable on the Tranche A Loan shall be calculated at the Tranche A Coupon);

(iii) thirdly, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) to the Tranche B Lender under the Finance Documents and insofar as such relates or is attributable to the Tranche B Loan (and, for this purpose, interest accrued and payable on the Tranche B Loan shall be calculated at the Tranche B Coupon); and

(iv) fourthly, any excess amounts of Loan Interest Receipts outstanding on such Loan Payment Date, as applicable, to the Tranche A Lender.

Payments of principal (other than from the sale of a Property):

On each Loan Payment Date occurring prior to the service of a Note Enforcement Notice, the Security Trustee shall apply monies in respect of Loan Principal Receipts standing to the credit of the Tranching Account on such date in or towards the following items (and, if the credit balance in the Tranching Account is insufficient to pay all those items, in the following order):

(i) first, to the extent not previously paid, in payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders under the Credit Agreement and/or unpaid fees, costs and expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the Security Trustee) under the Finance Documents which are due to them but are unpaid provided such have been notified to the Borrower not less than 5 Business Days in advance;

(ii) secondly, in repaying principal on the Tranche A Loan until the date all of the Tranche A Liabilities have been discharged in full; and

(iii) thirdly, in repaying principal on the Tranche B Loan until the date all of the Tranche B Liabilities have been discharged in full.

Payments from the sale of a Property:

Prior to the service of a Note Enforcement Notice, all Loan Available Release Sum Funds shall be applied from the Sales Account by the Security Trustee as follows:

(i) Loan Release Sum Sequential Available Funds will be applied (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), in the following order of priority:

(A) first, to the Tranche A Lender, in repaying principal on the Tranche A Loan, until the Tranche A Liabilities have been discharged in full; and

(B) second, to the Tranche B Lender, in repaying principal on the Tranche B Loan, until the Tranche B Liabilities have been discharged in full; and

(ii) any Loan Release Sum Pro Rata Available Funds will be applied on each Loan Payment Date in repaying, *pari passu* and *pro rata*, principal on the Tranche A Loan and the Tranche B Loan, in proportion to the principal amount outstanding of each Tranche after application of the Loan Release Sum Sequential Available Funds on each Loan Payment Date.

(C) Payments on the Tranche A Loan and Tranche B Loan after Enforcement of the Notes:

On or after the date a Note Enforcement Notice has been served, the Security Trustee shall apply all monies received by it under the Loan in the following order of priority (and if the monies received are insufficient to pay all those items, in the following order of priority):

(a) firstly, in or towards payment of any unpaid costs and expenses of the Lenders relating to any indemnity costs properly incurred by the Lenders under the Finance Documents and/or all costs, fees, expenses of the Security Trustee (including the costs, fees and expenses of any receiver appointed by or on behalf of the Security Trustee) in connection with the Loan and the enforcement and realisation of the security created by the same;

(b) secondly, in or towards payment of all fees (but not including any prepayment fees) and other amounts (not being interest on or principal of the Loan) required to service the Loan and enforce the security, which is specified in the Credit Agreement as being payable by the Borrower to the Lenders pursuant to the Credit Agreement which shall be paid to the Tranche A Lender alone;

(c) thirdly, interest due or overdue (and all interest due on such overdue interest) on the Tranche A Loan;

(d) fourthly, all amounts of principal due or overdue on the Tranche A Loan and all other amounts due in respect of the Tranche A Loan until the Tranche A Liabilities have been discharged in full;

(e) fifthly, interest due or overdue (and all interest due on such overdue interest) on the Tranche B Loan;

(f) sixthly, all amounts of principal due or overdue on the Tranche B Loan and all other amounts due in respect of the Tranche B Loan until the Tranche B Liabilities have been discharged in full;

(g) seventhly, in or towards payment of all Prepayment Fees under the Credit Agreement which shall be paid to the Tranche A Lender; and

(h) eighthly, the balance to be paid to the person or persons entitled to the same.

(D) Tranche B Lender's Cure Right:

On or after the occurrence of an event of default under the Loan, the Tranche B Lender has the right (though not the obligation) to cure the relevant event of default under the Loan within five days by payment or reimbursement by the Tranche B Lender of the aggregate of amounts due (a) to the Security Trustee, for all costs, expenses, losses, liabilities, obligations, damages, penalties, and disbursements imposed on, incurred by or asserted against it and (b) to the Issuer in payment of all outstanding Tranche A Liabilities for the relevant Loan Payment Date for which insufficient funds were paid by the Borrower.

In addition, on or after the occurrence of the Interest Cover Percentages falling below 110 per cent., the Tranche B Lender has the right (though not the obligation) to cure such breach of the Borrower by exercising the same cure rights set forth in Credit Agreement as if the Tranche B Lender were the Borrower. Any such cure by the Tranche B Lender, if exercised according to the terms and conditions of the Credit Agreement, shall cure such breach as if the Borrower had made the relevant payments(s) or granted the relevant Supplemental Debenture(s), as applicable.

The Tranche B Lender's right to cure an event of default under the Credit Agreement or a breach of Interest Cover Percentages falling below 110 per cent. shall in the aggregate be limited to two Cure Events over the life of the Loan for so long as (a) any Tranche A Liabilities are outstanding, (b) no single Cure Event may exceed six consecutive months, (c) the Tranche B Lender may not exercise another Cure Event for at least three months after the expiration of the prior Cure Event and (d) any cure payment made by the Tranche B Lender shall not prevent the Issuer from collecting default interest or late charges from the Borrower. A "**Cure Event**" means the Tranche B Lender's exercise of cure rights, whether for one month or for consecutive months in the aggregate. Any additional Cure Events in excess of two shall be permitted only with the consent of the Issuer and the Trustee.

The Tranche A Lender's rights under the Loan and the Related Security shall not be waived or prejudiced by virtue of the Tranche B Lender's exercise of cure rights, *provided*, that the Tranche A Lender shall not seek to enforce the Loan for so long as the Tranche B Lender has made a cure payment, subject to the number and timing and duration limitations as provided above.

(E) Tranche B Lender's Ability to Purchase the Tranche A Loan and the Related Security:

The Tranche B Lender has a right to purchase the Tranche A Loan on any date on which either (a) the aggregate principal amount outstanding of the Loan is (or will be, following the application of payments on such Loan Payment Date as set forth above) less than £32,689,000, or (b) an event of default has occurred under the Credit Agreement and the Loan is a Specially Serviced Loan. In such case, the Tranche B Lender may purchase all (but not some only) of the Tranche A Loan and the Related Security; provided that (a) not later than 10 days prior to the proposed date of purchase of the Tranche A Loan (the "**Loan Purchase Date**"), the Tranche B Lender has served on the Security Trustee, the Servicer or Special Servicer (as applicable) and the Tranche A Lender an irrevocable notice notifying them of (i) its intention to so purchase all of the Tranche A Loan (and any swap transaction to the extent (if any) that it relates to the Tranche A Loan) and (ii) the price the Tranche B Lender shall pay for the Tranche A Loan (and any swap transaction to the extent (if any) that it relates to the Tranche A Loan) and (b) the Servicer has not previously given a notice of its intention to purchase the Loan in accordance with the Priority and Intercreditor Agreement.

If the Tranche B Lender has served on the Security Trustee, the Servicer or Special Servicer (as applicable) and the Tranche A Lender the irrevocable notice referred to in the preceding paragraph, on the Loan Purchase Date the Tranche A Lender (i) shall (provided that the purchase price notified by the Tranche B Lender is equal to an amount sufficient to pay the sum of all amounts referred to in (a), (b) and (c) below) sell or (ii) may sell (provided that the purchase price notified by the Tranche B Lender is any lesser amount, but provided that the Trustee and the Controlling Party (provided that the Controlling Party is not the Tranche B Lender) consent, any lesser amount), and the Tranche B Lender shall purchase (at the Tranche B Lender's expense) all the right, title, interest and benefit of the Tranche A Lender in, to and under:

(a) the Tranche A Loan and the Tranche A Lender's respective beneficial interest in this Loan and the Related Security;

(b) any accrued interest on the Tranche A Loan to the next Loan Payment Date; and

(c) any swap transaction to the extent (if any) that it relates to the Tranche A Loan and the Related Security.

Completion of any purchase by the Tranche B Lender shall take place on the Loan Payment Date following the service of the notice referred to above.

(F) Undertakings of the Tranche B Lender

For so long as any of the Tranche A Liabilities are outstanding, the Tranche B Lender makes, *inter alia*, the following undertakings:

(a) it shall not take, accept or receive the benefit of any encumbrance from the Borrower (save to the extent it has any interest in the Related Security);

(b) it shall not ask, demand, sue, claim, take or receive from the Borrower in any manner any of the Tranche B Liabilities;

(c) it shall not obtain or enforce any judgment against the Borrower in relation to the Tranche A Liabilities or Tranche B Liabilities;

(d) it shall not exercise its rights or powers (or take any steps to do so) under any Finance Document or otherwise against the Borrower if that exercise would result in it being in breach of the Priority and Intercreditor Agreement;

(e) it shall not petition or apply for or vote in favour of any resolution for the winding-up, dissolution, administration or re-organisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of the Borrower or of any or all of its revenues and assets; and

(f) if it receives any payment which is in breach of the Priority and Intercreditor Agreement and the Credit Agreement, it shall hold such sum on trust for the Security Trustee and pay it immediately upon receipt to the Security Trustee or such other party as the Security Trustee may direct.

10. Acquisition

Loan Sale Agreement

Consideration

Pursuant to the Loan Sale Agreement, MSDW Bank will agree to sell and the Issuer will agree to purchase the Tranche A Loan, and MSDW Bank will assign and transfer to the Issuer its respective beneficial interest in the Security Trust created over the Related Security on the Closing Date. The initial purchase consideration in respect of the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust will be approximately £304,001,840 which will be paid on the Closing Date. On each Interest Payment Date prior to enforcement of the Issuer Security, the Issuer will pay to MSDW Bank (or to the person or persons then entitled thereto or any component thereof), to the extent that the Issuer has funds, an amount by way of deferred consideration for the purchase of the Tranche A Loan and MSDW Bank's beneficial interest in the Security Trust created over the Related Security (the "**Deferred Consideration**"), if any, which is calculated in respect of the Collection Period ended on the Calculation Date immediately preceding such Interest Payment Date and which is equal to (a) the Prepayment Fees and any other amounts received by the Issuer as a result of the prepayment of the Loan (other than principal of or interest on the Loan) received during that Collection Period, plus (b) the Available Interest Receipts less an amount equal to the sum of the payments scheduled to be paid on such Interest Payment Date pursuant to items (i) through (ix) set out in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to enforcement of the Notes — Available Interest Receipts" above, plus (c) the amount of any excess Available Principal remaining on such Interest Payment Date following application of the Release Sum Available Principal and the Sequential Available Principal in accordance with "Summary Available Funds and their Priority of Application — Payments out of the Transaction Account prior to enforcement of the Notes — Available Principal" above; less (d) an amount equal to 0.01 per cent. of the Borrower Interest Receipts transferred by the Security Trustee, acting on information provided by the Servicer, into the Transaction Account during that Collection Period, provided that the resulting amount is greater than nil. For avoidance of doubt, Prepayment Fees payable upon the sale of a Property following enforcement of the Loan and the Related Security will be applied as Prepayment Fees only upon satisfaction in full of the principal amount outstanding under the Tranche A Loan and all interest accrued due and payable thereon. The right to receive the Deferred Consideration or any component of the Deferred Consideration is assignable, subject to the assignee agreeing to be bound by the terms of the Deed of Charge and Assignment.

Registration and Legal Title

Within 15 Business Days of the Closing Date, written notice will be given to each Borrower and Mortgagor of the transfer of the Tranche A Loan to the Issuer and written notice will be given to the Security Trustee of the assignment of MSDW Bank's beneficial interest in the Security Trust created over the Related Security to the Issuer and the Issuer's assignment by way of security of such beneficial interest to the Trustee.

Representations and Warranties

Neither the Issuer nor the Trustee has made (or will make) any of the enquiries, searches or investigations which a prudent purchaser of the relevant security would normally make in relation to the Loan or the beneficial interest in the Security Trust created over the Related Security purchased on the Closing Date. In addition, neither the Issuer nor the Trustee has made or will make any enquiry, search or investigation at any time in relation to compliance by MSDW Bank, the Servicer or any other person with the Lending Criteria or

procedures or their adequacy or in relation to the provisions of the Loan Sale Agreement, the Priority and Intercreditor Agreement, the Servicing Agreement or the Deed of Charge and Assignment or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of the Loan or the beneficial interest in the Security Trust created over the Related Security purchased on the Closing Date.

In relation to all of the foregoing matters concerning the Loan and the beneficial interest in the Security Trust created over the Related Security and the circumstances in which advances were made to the Borrower prior to their purchase by the Issuer, both the Issuer and the Trustee will rely entirely on the representations and warranties to be given by MSDW Bank to the Issuer and the Trustee which are contained in the Loan Sale Agreement.

If there is an unremedied material breach of any representation and/or warranty in relation to the Loan or the Related Security, MSDW Bank will be obliged to repurchase the Tranche A Loan and to accept a reassignment of its beneficial interest in the Security Trust created over the Related Security from the Issuer for an aggregate amount equal to the outstanding principal amount under the Tranche A Loan together with accrued interest and costs up to, but excluding, the date of the repurchase. The Issuer will have no other remedy in respect of such a breach unless MSDW Bank fails to purchase the Tranche A Loan, and to accept a reassignment of its beneficial interest in the Security Trust created over the Related Security in accordance with the Loan Sale Agreement.

The representations and warranties referred to will include, without limitation, statements to the following effect:

(a) each Property constitutes investment property used predominantly for industrial purposes and ancillary uses and is either freehold or leasehold;

(b) in relation to each mortgage, the Mortgagor had, as at the date of that mortgage, a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property and (i) is the legal and beneficial owner of the relevant Property or (ii) where legal and beneficial interest in the Property are split, is the legal owner of the Property and holds the beneficial interest on trust which beneficial interest is either overreached or charged;

(c) in relation to each Property, title to which is registered, the title has been registered at H.M. Land Registry with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or, where registration at H.M. Land Registry is pending, an application for registration with such title has been delivered to H.M. Land Registry within the priority period conferred by an official search conducted against the relevant title at H.M. Land Registry before completion of the purchase of the Property;

(d) each Property was, as at the date of the relevant mortgage, held by the Mortgagor free (save for the Mortgage and Related Security) from any encumbrance which would materially adversely affect such title or the value for mortgage purposes set out in the valuation (including any encumbrance contained in the leases relevant to such Properties);

(f) in relation to any mortgage where registration is pending at H.M. Land Registry, the Security Trustee for MSDW Bank took or is taking all reasonable steps to perfect its title to the mortgage and has an absolute right to be registered as proprietor of the mortgage as first mortgagee or first chargee of the interest in the relevant Property which is subject to that mortgage;

(g) (A) the Loan constitutes a valid and binding obligation of, and is enforceable against, the Borrower; (B) subject only, in the case of mortgages required to be registered at H.M. Land Registry, to such registration, each mortgage is a valid and subsisting first charge by way of legal mortgage on the Property to which such mortgage relates, (C) subject as set out in (B) above, the Security Trustee has a good title to each mortgage at law and all things necessary to complete the Security Trustee's title to each mortgage have been duly done at the appropriate time or are in the process of being done, (D) the Security Trustee is the legal (subject to necessary registrations), and MSDW Bank and the Tranche B Lender are the beneficial owners of each mortgage, free and clear of all encumbrances, overriding interests (other than those to which the Property is subject), claims and equities and there were at the time of completion of the relevant mortgage (except in the case of one Property) no adverse entries of encumbrances, or applications for adverse entries of encumbrances

against any title at H.M. Land Registry to any related Property which would rank higher in priority to the Security Trustee's, MSDW Bank's or the Tranche B Lender's interests therein; and (E) MSDW Bank is the legal and beneficial owner of the Tranche A Loan free and clear of all encumbrances, claims and equities;

(h) prior to completion of the Loan and mortgages, a report on title or certificate of title (addressed to MSDW Bank) in relation to the relevant Property was obtained which initially or after further investigation disclosed nothing which would cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the advance on its agreed terms;

(i) prior to the date of the Loan and mortgages, the nature of, and amount secured by, the Loan and mortgage and the circumstances of the Borrower and Mortgagor satisfied in all material respects MSDW Bank's Lending Criteria so far as applicable subject to such variations or waivers as would, as at that date, have been acceptable to a reasonably prudent lender of money secured on commercial property;

(j) MSDW Bank is not aware of any material default, material breach or material violation under the Loan or the Related Security which has not been remedied, cured or waived (but only in a case where a reasonably prudent lender of money secured on commercial property would grant such a waiver) or of any outstanding material default, material breach or material violation by the Borrower or a Mortgagor under the Loan or the Related Security, as the case may be, or of any outstanding event which with the giving of notice or lapse of any grace period would constitute such a default, breach or violation;

(k) pursuant to the terms of the Loan, the Borrower is not entitled to exercise any right of set-off or counterclaim against MSDW Bank or any other lender in respect of any amount that is payable under the Loan;

(l) MSDW Bank has not received written notice of any default of any occupational lease granted in respect of any Property or of the insolvency of any tenant which would render the relevant Property unacceptable as security for the Loan in the context of the Lending Criteria;

(m) as at the Closing Date, to the best of MSDW Bank's knowledge each Property is covered by a buildings insurance policy maintained by the Mortgagor or another person with an interest in the relevant Property in an amount which is equal to or greater than the amount which a qualified surveyor or valuer engaged by MSDW Bank estimated to be equal to such Property's reinstatement value or otherwise included by the insurers under a "general interest noted" provision in the relevant policy;

(n) MSDW Bank has undertaken all due diligence that a prudent commercial lender would undertake to establish and confirm that the Borrower has not engaged since its formation or incorporation in any activity other than those incidental to its formation or incorporation entering into the Loan and related mortgage and other Related Security and has not had since its incorporation nor does it have as at the Closing Date any material liability or assets other than the Loan; and

(o) the information in this Offering Circular with regard to the Priority and Intercreditor Agreement, the Loan (including both Tranches thereof), the Related Security, the Properties and the relevant buildings insurance policies that is material in the context of the issue and the offering of the Notes, is true and accurate in all material respects and is not misleading in any material respect.

Only the Issuer and the Trustee may rely upon the above warranties.

THE STRUCTURE OF THE ACCOUNTS

1. The Rent Account

In accordance with the terms of the Credit Agreement, the Borrower has established an account (the "**Rent Account**") into which sums representing the rents payable by the tenants occupying the Properties are to be paid. The Rent Account is expressed to be subject to a first fixed charge in favour of the Security Trustee on trust for the benefit of MSDW Bank and the Tranche B Lender. The beneficial interest of MSDW Bank in such trust will be assigned to the Issuer as part of the Security Trust created over the Related Security.

Industrious Asset Management Limited ("**IAM**") will collect all rent, service charge payments and VAT from tenants and on a daily basis (once full segregation of rents paid into the Rent Account is effected, transfers will be on a weekly basis) pay the net rent (being rent net of any ground rent, service charge payments and VAT) (the "**Net Rental Income**") into the Rent Account in the name of the Borrower. Once the Security Trustee has notified the Borrower, *inter alia*, that there is sufficient cash standing to the credit of the Rent Account to discharge the Borrower's obligations under the Credit Agreement on the following Loan Payment Date, that the Interest Cover Percentages are at or above the prescribed level and that there is no event of default under the Credit Agreement, then no further amounts of net rental income arising during that Interest Period are required to be paid into the Rent Account. The Borrower has agreed to ensure or to procure that IAM ensures that all net rental income required to be paid into the Rent Account is paid into the Rent Account, and the Issuer will have the benefit of the Duty of Care Agreement from IAM under the terms of which IAM agrees to collect rent and to notify the Issuer of any material tenant breach of covenant, any material damage to a Property or the termination of its own appointment.

MSMS, in its capacity as Security Trustee, is and, following the sale of the Tranche A Loan and assignment of MSDW Bank's beneficial interest in the Security Trust created over the Related Security to the Issuer, will remain the sole signatory on the Rent Account. Under the Credit Agreement, MSMS, on behalf of the Issuer, will be entitled to withdraw amounts on each Loan Payment Date to enable: (i) first, payment of any unpaid fees, costs and expenses of the Issuer and/or the Security Trustee under the Finance Documents which are due to them but unpaid (provided such have been notified to the Borrower not less than 5 Business Days in advance) and (ii) second, payment to the Issuer and/or the Tranche B Lender (in accordance with the Priority and Intercreditor Agreement) of any accrued interest, fees and other amounts (including any repayment instalments) which are due to them but unpaid under the Finance Documents, before any other payments are released to the Borrower from the Rent Account. Under the Servicing Agreement, the Servicer is required, following the Closing Date, to notify the Borrower that MSDW Bank has assigned the Tranche A Loan to the Issuer.

In addition, MSMS is responsible for apportioning interest and other payments received from the Servicer pursuant to the Credit Agreement, between amounts attributable to the Tranche A Loan and the Tranche B Loan.

The charge over the Rent Account described above is expressed to be a fixed charge but may take effect as a floating charge. See "Risk Factors".

2. Borrower Blocked Accounts

The Borrower is required to maintain two further blocked accounts into which specific payments are to be made and may only be released either to prepay the Loan or as otherwise agreed by MSDW Bank (for so long as any of the Tranche A Liabilities are outstanding). Each account is expressed to be subject to a first fixed charge in favour of the Security Trustee on trust for the benefit of MSDW Bank and the Tranche B Lender.

The Sales Account

The Borrower is required to pay the proceeds of sale on the disposal of a Property (and in the case of a release of a Property, the Release Sum) into an interest bearing deposit account in the name of the Borrower (the "**Sales Account**"). The provisions relating to substitution and release of Properties are referred to in more detail above. See "The Loan and the Related Security — Substitution/Release of Property".

Under the terms of the Credit Agreement, the Security Trustee can authorise withdrawals from the Sales Account to (i) pay any amount due under the Finance Documents (where there are insufficient monies in the Rent Account), (ii) provided there is no default existing under the Credit Agreement, purchase additional properties which are to be subject to security and charged pursuant to a Supplementary Debenture, (iii) make a prepayment of the Loan in accordance with the terms of the Credit Agreement or (iv) provided there is no default existing under the Credit Agreement, make capital improvements where the cost is not recoverable from an occupational tenant. Amounts which are to be used to make a prepayment of the Loan as described in (iii) above are Release Sum Funds and are to be paid in accordance with the Priority and Intercreditor Agreement (see "the Loan and the Related Security — The Tranche A Loan and Tranche B Loan").

On each Loan Payment Date occurring during the period in which any principal sum stands to the credit of the Sales Account (but provided that, in relation to any such Loan Payment Date, there is no default existing under the Credit Agreement) the Security Trustee shall release to the Borrower a sum from the Sales Account equal to the interest earned on any principal sum standing to the credit of such Sales Account from time to time during the immediately preceding interest period under the Credit Agreement.

The Premium Account

The Borrower is required to pay all "**Premium Payments**" (meaning all lump sum capital or premium payments payable to Charging Group Companies, such as, *inter alia*, insurance payments, a premium on a surrender of an occupational lease, compulsory purchase payments) into an interest bearing deposit account in the name of the Borrower (the "**Premium Account**").

On or before each Loan Payment Date, the Security Trustee shall withdraw from the sums standing to the credit of the Premium Account and pay into the Rent Account the aggregate amount of attributable net rental income for each Property in respect of which a Premium Payment has been made. In certain limited circumstances (subject, *inter alia*, to payment of all required amounts from the Premium Account to the Rent Account and compliance with the specified Interest Cover Percentages), the Security Trustee may permit payment of monies from such Premium Account to the Borrower. In addition, the Security Trustee may authorise withdrawals at any time from the Premium Account to pay any amounts due but unpaid under the Finance Documents.

On each Loan Payment Date occurring during the period in which any principal sum stands to the credit of the Premium Account (but provided that, in relation to any such Loan Payment Date, there is no default existing under the Credit Agreement) the Security Trustee shall release to the Borrower a sum from the Premium Account equal to the interest earned on any principal sum standing to the credit of such Premium Account from time to time during the immediately preceding interest period under the Credit Agreement.

3. The Tranching Account

The Security Trustee is required to maintain, in its own name an account (the "**Tranching Account**") with HSBC Bank plc into which, on or shortly after each Loan Payment Date, the Security Trustee acting on information provided by the Servicer, will transfer from the Rent Account all amounts due from the Borrower in respect of the Loan. It will transfer such amounts in respect of the Tranche A Loan immediately thereafter on such Loan Payment Date to the Transaction Account.

4. The Issuer's Accounts

The Transaction Account

Pursuant to the Cash Management Agreement, the Operating Bank will open and maintain an account in the name of the Issuer (the "**Transaction Account**"), with respect to which the Servicer will provide information to the Security Trustee to enable the Security Trustee to transfer from the Tranching Account all amounts due from the Borrower in respect of the Tranche A Loan into such account. The Cash Manager will make all other payments required to be made on behalf of the Issuer from the Transaction Account.

The Interest Rate Swap Collateral Cash Account and the Interest Rate Swap Collateral Custody Account

Any cash amounts received by the Issuer pursuant to the Interest Rate Swap Agreement Credit Support Document will be paid into an interest bearing account in the name of the Issuer with the Operating Bank (the "**Interest Rate Swap Collateral Cash Account**") and securities received by the Issuer pursuant to the Interest Rate Swap Agreement Credit Support Document will be deposited into a custody account (the "**Interest Rate Swap Collateral Custody Account**"). Both the Interest Rate Swap Collateral Cash Account and the Interest Rate Swap Collateral Custody Account shall be held with the Operating Bank. From time to time, subject to the conditions to be specified in the Interest Rate Swap Agreement Credit Support Document, the Interest Rate Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Interest Rate Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Interest Rate Swap Agreement Credit Support Document.

The FX Swap Collateral Cash Account and the FX Swap Collateral Custody Account

Any cash amounts received by the Issuer pursuant to the FX Swap Agreement Credit Support Document will be paid into an interest bearing account in the name of the Issuer with the Operating Bank (the "**FX Swap Collateral Cash Account**") and securities received by the Issuer pursuant to the FX Swap Agreement Credit Support Document will be deposited into a custody account (the "**FX Swap Collateral Custody Account**"). Both the FX Swap Collateral Cash Account and the FX Swap Collateral Custody Account shall be held with the Operating Bank. From time to time, subject to the conditions to be specified in the FX Swap Agreement Credit Support Document, the FX Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the FX Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the FX Swap Agreement Credit Support Document.

"**Swap Collateral Cash Account**" means either of the Interest Rate Swap Collateral Cash Account or the FX Swap Collateral Cash Account. "**Swap Collateral Custody Account**" means either of the Interest Rate Swap Collateral Custody Account or the FX Swap Collateral Custody Account. The Interest Rate Swap Collateral Cash Account, the Interest Rate Swap Collateral Custody Account, the FX Swap Collateral Cash Account, the FX Swap Collateral Custody Account and the Transaction Account are together referred to as the "**Issuer's Accounts**".

The Stand-by Account

Any Stand-by Drawing which the Issuer may require from the Liquidity Facility Provider (see "Credit Structure — Liquidity Facility") will be credited to an account in the name of the Issuer (the "**Stand-by Account**") with the Operating Bank or, if the Operating Bank ceases to have a "F1+" rating (or its equivalent) by Fitch, a "P-1" rating (or its equivalent) by Moody's or an "A-1+" rating (or its equivalent) by S&P for its short-term, unguaranteed, unsecured and unsubordinated debt obligations (or such other short term debt rating as is commensurate with the rating assigned to the Notes from time to time) (the "**Requisite Rating**"), the Liquidity Facility Provider or, if the Liquidity Facility Provider ceases to have the Requisite Rating, any bank which has the Requisite Rating.

THE PROPERTY PORTFOLIO

Introduction

Industrious is, by asset value, one of the largest property companies in its area of specialisation, the ownership and letting of secondary industrial properties in the United Kingdom. Industrious has tried to establish a consistent brand and image in relation to its properties and by active management (see "— Management" below) it maintains close tenant contact and a good tenant retention rate. As a result of this active management of its properties, Industrious aims to improve its asset performance, including that of the Properties.

The Properties providing security for the Loan comprise 101 secondary industrial properties and two land sites located across England and Wales, managed on a regional basis. The Properties are usually multi-tenanted, and out of a total of 1,601 lettable units 1,410 are occupied (representing a vacancy rate of 9.1 per cent. by reference to lettable square footage). (The statistics and figures provided in this section were provided by Industrious as at 28th February, 2003, save where otherwise indicated.)

The secondary industrial asset class operates on a different basis from the prime industrial asset class. The principal differences are that the Properties are located in secondary locations or near less important distribution hubs, they are typically smaller in size and are occupied by less well known and less credit worthy tenants. However, by assembling a large portfolio of such assets at relatively lower cost than prime assets, the diversification benefits are generally greater.

Tenant Base

The tenant base of the Properties is diversified by size, location and industry and represents a broad cross section of manufacturing, distribution, service and other industries as well as office and storage accommodation. Of these tenant types, the distribution sector (31.7 per cent. of the aggregate annual net rental income of the Properties) and the manufacturing sector (24.3 per cent. of the aggregate annual net rental income of the Properties) are dominant.

The Properties comprise 9,594,345 lettable square feet generating a net annual rental income of £34,101,237 (representing a yield of 8.72 per cent.). More than 79 per cent. of the net annual rental income is derived from lettings of units of less than 50,000 square feet. The average rental income per unit is £24,275. Average net annual rental income is £3.57 per square foot (compared to an average estimated net annual rental value of £3.95 per square foot).

The top 30 tenants (by reference to net rent paid per annum) account for 27.9 per cent. of total annual net rental income. The top tenant accounts for only 2.7 per cent. of total annual net rental income. Only 26 tenants account individually for more than 0.5 per cent. of total annual net rental income.

Location

All of the Properties are located in England and Wales and are well diversified across the main economic areas of the UK with no one area dominating by either value or rents (see table "Region" below). The Properties are generally located around major cities or industrial locations. In particular, the top 50 per cent. of properties by value (being 13 properties) are evenly spread geographically.

Tenure

The majority of the Properties (90 per cent. by value) are freehold and the remainder of the Properties (10 per cent. by value) are leasehold.

The majority of the leasehold Properties are subject to a nominal headlease rent and the aggregate total headlease rent liability in respect of leasehold Properties was approximately £126,000 per annum as at the Valuation Date.

Management

The properties are managed by IAM (on behalf of Industrious) on a regional basis by local management teams. IAM, which is a wholly owned subsidiary of Industrious, comprises the Industrious former in-house team of property managers and therefore whilst management on a day to day basis has been contracted out by Industrious to IAM, the continuity of the management team and its approach to managing the properties has been retained.

Although secondary industrial assets are management intensive, Industrious and IAM aim to provide relatively high levels of customer service and to take an active approach to asset management.

For the purposes of management, the Properties are split into five regional areas (South East, South West, North West, North East and Midlands) and IAM maintains a dedicated management office in relation to each region. On a regular basis IAM reviews the trading performance of each region, progress on rent reviews and lease renewals and whether there are any under performing properties.

IAM have entered into a Duty of Care Agreement in favour of MSDW Bank pursuant to which IAM acknowledges the existence of the security over the Properties that it manages. IAM has undertaken to collect the Rental Income and pay the Net Rental Income into the Rent Account, without set-off or counterclaim, when received (on a daily basis initially, as following the segregation referred to below on a weekly basis); to notify MSDW Bank of any material breach or default by a tenant of a Property; and has acknowledged a duty of care in favour of MSDW Bank. In addition IAM undertakes to procure the segregation of Rental Income from monies attributable to premises or assets other than the Properties (see "Risk Factors – The Issuer's Ability to meet its liabilities under the Notes – The Tenants").

MTLJLP and Industrious (Fradley) entered into a management agreement (the "**Management Agreement**") dated 19th May, 2003, with IAM whereby IAM collects rental income from, and manages the Properties on behalf of, MTLJLP and Industrious (Fradley). The principal terms and conditions of the Management Agreement are as follows:

(a) The term of such management agreement is five years;

(b) IAM is responsible for collecting all rental income, including service charges, insurance premium contributions and value added tax payable in relation to each Property;

(c) IAM is generally responsible for lettings/relettings and general administration matters arising in connection with the leases (including compliance with landlords' obligations in the leases);

(d) Each property owner is entitled to terminate the agreement on three months' notice after 10th December, 2005 (or earlier if IAM is in material default, becomes insolvent or if the Security Trustee enforces the security over the Properties);

(e) IAM may not terminate the Management Agreement prior to the expiry of its term, however, the Management Agreement automatically terminates upon the sale of any Property (in respect of such Property only);

(f) IAM is paid a property management fee of 8.3 per cent. of the Net Rental Income received together with 20% of the element of insurance rent received that exceeds the insurance cost. IAM is also entitled to additional fees for specific transactions, for example rent review agreements, new lettings, lease surrenders and a management fee in relation to certain capital expenditure. IAM is also entitled to an asset management fee of 1.5% of the gross consideration payable on the acquisition or disposal of the Properties and 5% of all costs incurred in connection with development projects (when costs exceed £25,000). Under the Duty of Care Agreement however, IAM is not be able to deduct fees from rental income to be paid into the Rent Account; these fees may only be paid once interest and amortisation payments due to the Issuer and the Tranche B Lender in respect of the Loan have been paid in accordance with the Credit Agreement;

(g) IAM is responsible for undertaking its duties in accordance with the standard of an experienced asset manager providing the relevant services in relation to properties of a similar nature; and

(h) IAM is obliged to co-operate with the requirements of the mortgagees of any of the Properties in connection with payment of rental income, supply of information and the like.

Occupational Leases

The occupational tenancies currently in place vary in type. The majority are on traditional lease terms with full tenant repairing and insuring obligations and market standard rent, service charge and insurance provisions. However, when entering into new occupational lease arrangements, Industrious essentially utilises two main types of customised occupational lease, subject to minor negotiated differences in each instance.

The forms of customised lease are as follows:

Flexilet Lease

The "Flexilet" lease was introduced by Industrious in May 2000 and typically is for a term of six years with a rolling break clause on three months notice after the expiry of the first year of the term. Alienation and alterations are prohibited and the tenant's repairing covenants are limited to reflect the flexible nature of the term. The rent is inclusive of service charge, repairs and the cost to the landlord of insuring the demised premises. There is an automatic 15 per cent. rent increase at the expiry of the third year of the term. This form of lease accounts for 8.6 per cent. of lettings (by reference to net annual rental income).

Standard Lease

The other forms of customised lease are either for a term of three or six years. If the lease is for six years there is a tenant option to break on expiry of the third year of the term. The rent is subject to review on an upward only basis to the open market value at the expiry of the third year of the term. Assignment of the whole is permitted with the landlord's prior consent, but, underletting is prohibited. Structural alterations are prohibited but the tenant can make internal non-structural alterations with the landlord's prior consent. The landlord is generally responsible for repairs to the exterior of the let premises and the tenant is responsible for repairs to the interior. The landlord is required to insure the let premises and to recover the cost of doing so from the tenant (this is in addition to rent and service charge payments). The landlord is obliged to provide certain services, the cost of which is recovered from the tenant through the service charge. Standard leases account for 86.9 per cent. of net annual rental income from the Properties.

In addition to occupation pursuant to formal leases a small number of units (representing 2.8 per cent. of net annual rental income) are occupied under licence (typically, although not always, pending completion of a formal lease) and in a limited number of cases pursuant to tenancies at will.

The weighted average unexpired occupational lease term of the Flexilet Leases is 4.81 years (falling to 0.60 years if break options are exercised). The weighted average unexpired occupational lease term for the remaining occupational leases is 6.98 years (on the assumption that no break options are exercised; if breaks are exercised this is reduced to 5.42 years) (formerly, the form of standard lease often had a term of greater than six years). 40 per cent. of net annual rental income is derived from leases with an unexpired term of under five years and 37.7 per cent. of net annual rental income is derived from leases with an unexpired term of between five and ten years. Less than 3.0 per cent. of the tenants in occupation are holding over under the Landlord and Tenant Act 1954 following expiry of their lease term.

Valuation

The Properties were as at the Valuation Date, valued at £390,877,000 by DTZ Debenham Tie Leung, who have also issued a letter, dated 1st May, 2003, confirming that as at that date there had been no diminution in value of the Properties since the date of their original valuation. A copy of such letter is set forth as Appendix 1 hereto.

Insurance

The Properties are insured by Norwich Union. The policy insures all real property owned by the Industrious property owners. The sum insured as at 28th February, 2003 was approximately £420,000,000. The

policy allows for an uplift in value of 30 per cent. during the life of the policy (one year). The sum insured is based on the estimated reinstatement cost of the Properties. The insurer can settle any claim by either paying the insured value of the claim or, at the option of the insurer, reinstating the relevant Property. Industrious is also insured against up to 36 months loss of rent due to damage by an insured risk at any of the Properties.

Environmental Matters

The Properties comprise a portfolio of secondary industrial assets that, by virtue of their location, are likely to have had a contaminative prior use. This is typical of UK industrial properties in general. Industrious therefore has a structured approach to the management of environmental issues.

Prior to purchasing a site, whether individually or as part of a portfolio, Industrious commissions a Stage I environmental report from an appropriate third party consultant. Industrious' concern, from the Stage I reports, is whether (i) the site is affected by an environmental issue that would affect the value of the site, based upon its current industrial use or (ii) the site is or will be affected by contamination to an extent that is likely to give rise to a claim by the Environment Agency, a local authority or a third party. If a Stage I report indicates either of the above, either the site is not acquired or a Phase II report is commissioned from an appropriate environmental consultant and/or geotechnical expert. A Stage I report was commissioned, or a recent existing report was reviewed, before the purchase of each of the Properties and Stage II reports were considered necessary for three of the Properties (with an aggregate value of £5,017,500, representing approximately 1.28 per cent. of the aggregate value of the Properties, as at the Valuation Date). The Stage II reports either showed that the relevant site was acceptable for industrial use or required remedial work, which was subsequently undertaken.

Once a site has been acquired it is subject to a formal annual environmental audit by Industrious personnel. The focus of the audits is on the activities and operations on the site which may have or have had an adverse environmental impact. The audits are logged electronically, which enables the relevant regional manager and the Industrious asset manager to monitor any necessary action. The audit results are reported formally to the Industrious executive committee annually.

In addition to the formal annual inspection, regional Industrious personnel visit each site every four to six weeks and note any change in the environmental situation. Further, many tenants are subject to visits by bodies such as the Environment Agency and the Health and Safety Executive.

No specific environmental surveys have been undertaken in relation to any of the Properties in the context of the due diligence on the Loan. However, reliance has been placed on the reports commissioned or reviewed by Industrious and described above and extensive discussions with Industrious. In addition, enquiries of the relevant local authority, the Environment Agency, of Industrious and of Industrious' wholly owned subsidiaries which formerly owned the Properties, were raised and whilst certain environmental risks were identified these are not thought to be unusual or material (see "Risk Factors — Environmental Risks").

Statistical Information

The following tables, based on information provided by Industrious as at 28th February, 2003, provide statistical information in relation to the Properties. In addition, similar tables providing statistical information in relation to the Properties as at the Valuation Date, based on information provided by Industrious as at the Valuation Date and in respect of which certain portions were subject to the legal due diligence that has been undertaken in relation to the Properties (see "The Loan and the Related Security — Legal Due Diligence"), are attached as Appendix 2 hereto.

Region

Region	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
West Midlands	25	95,086,500	24.3%	2,663,048	3.07	8,186,552	211,533	7.9%
South East	10	68,255,000	17.5%	1,129,196	5.01	5,654,796	46,844	4.1%
North West	17	56,677,500	14.5%	2,130,221	2.66	5,674,609	269,173	12.6%
East Anglia	4	51,335,000	13.1%	813,867	5.07	4,127,268	10,040	1.2%
London	13	46,650,500	11.9%	663,301	5.87	3,890,842	2,532	0.4%
South West	11	29,615,000	7.6%	788,343	3.39	2,675,932	68,326	8.7%
East Midlands	4	19,882,500	5.1%	779,224	2.31	1,798,605	160,140	20.6%
Yorkshire & Humberside	14	15,405,000	3.9%	412,523	3.99	1,644,956	22,998	5.6%
Wales	2	4,125,000	1.1%	85,347	3.73	318,230	21,209	24.9%
North East	3	3,845,000	1.0%	129,275	1.98	256,108	61,734	47.8%
Total	**103**	**390,877,000**	**100.0%**	**9,594,345**	**3.57**	**34,227,898**	**874,529**	**9.1%**

Tenure

Tenure	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
Freehold	84	351,069,500	89.8%	8,519,875	3.56	30,305,966	793,162	9.3%
Leasehold	19	39,807,500	10.2%	1,074,470	3.65	3,921,932	81,367	7.6%
Total	**103**	**390,877,000**	**100.0%**	**9,594,345**	**3.57**	**34,227,898**	**874,529**	**9.1%**

Property Type

Property Type	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
Industrial	67	262,443,000	67.1%	7,274,500	3.27	23,781,738	723,153	9.9%
Warehouse	32	86,809,000	22.2%	1,695,283	4.19	7,106,781	141,336	8.3%
Mixed Use	1	39,790,000	10.2%	598,096	5.31	3,173,379	10,040	1.7%
Office	1	1,460,000	0.4%	26,466	6.27	166,000	0	0.0%
Caravan Park	1	200,000	0.1%	-	-	-	-	-
Droitwich Road	1	175,000	0.0%	-	-	-	-	-
Total	**103**	**390,877,000**	**100.0%**	**9,594,345**	**3.57**	**34,227,898**	**874,529**	**9.1%**

Management Regions

Management Regions	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
South East	22	131,265,500	33.6%	1,953,267	5.54	10,828,985	25,478	1.3%
Midlands	27	110,169,000	28.2%	3,239,164	2.95	9,560,157	371,673	11.5%
South West	20	73,515,000	18.8%	1,729,895	3.62	6,263,083	123,473	7.1%
North West	17	56,677,500	14.5%	2,130,221	2.66	5,674,609	269,173	12.6%
North East	17	19,250,000	4.9%	541,798	3.51	1,901,064	84,732	15.6%
Total	**103**	**390,877,000**	**100.0%**	**9,594,345**	**3.57**	**34,227,898**	**874,529**	**9.1%**

Note: the annual net rental income in each of the above tables does not include the deduction of ground rent for leasehold Properties, which amounts to approximately £126,000 per annum as at the Valuation Date.

Introduction

Pursuant to the Servicing Agreement, each of the Issuer, the Security Trustee and the Trustee will appoint MSMS as the Servicer and, in certain circumstances, the Special Servicer to be its agent to provide certain services in relation to the Loan and the Related Security. In performing their respective obligations under the Servicing Agreement, the Servicer and the Special Servicer must act in accordance with the "**Servicing Standard**", which requires the Servicer and the Special Servicer to act in accordance with the standard it would be reasonable to expect a reasonably prudent lender of money secured on commercial property to apply in servicing mortgages over commercial property which are owned by it, with a view to the timely collection of all sums due in respect of the Loan and, on the occurrence of a Loan Event of Default, the maximisation of recoveries available to the Noteholders and the Tranche B Lender as a collective whole (taking into account the likelihood of recovery of amounts due from the Borrower, the timing of any such recovery and the costs of recovery). In so acting, neither the Servicer nor the Special Servicer may have any regard to any fees or other compensation to which the Servicer or Special Servicer may be entitled, any relationship the Servicer or Special Servicer may have with a Borrower or any other party to the transaction, the different payment priorities among the Notes and between the Tranche A Loan and the Tranche B Loan or the ownership of any Note or the Tranche B Loan by the Servicer or Special Servicer or any affiliate thereof.

Each of the Servicer and the Special Servicer may become the owner or otherwise hold an interest in the Notes or the Tranche B Loan with the same rights as each would have if it were not the Servicer or Special Servicer, as the case may be. Any such interest of the Servicer or Special Servicer in the Notes or the Tranche B Loan will not be taken into account by any person when evaluating whether actions of the Servicer or Special Servicer were consistent with the Servicing Standard.

Payments from Borrower

Pursuant to the Servicing Agreement, the Servicer is required to calculate from time to time the various amounts which are to be paid out of the Rent Account. On each Calculation Date and otherwise as required by the Issuer and the Trustee from time to time, the Servicer will calculate, with respect to the Collection Period then ended:

(a) Borrower Interest Receipts;

(b) Borrower Principal Receipts; and

(c) the Prepayment Amount,

and will determine which portions of Borrower Principal Receipts in the Rent Account consist of Amortisation Funds, Prepayment Redemption Funds, Final Redemption Funds, Principal Recovery Funds and Release Sum Funds. The Servicer will, from time to time, determine all Revenue Priority Amounts and all Principal Priority Amounts required to be paid by the Issuer.

As part of its duties to provide services under the Servicing Agreement, the Servicer is required to give information to the Security Trustee to enable the Security Trustee to transfer payments from the Rent Account into the Tranching Account, and from the Tranching Account into the Transaction Account, whereupon such monies will be applied by the Cash Manager in accordance with the Cash Management Agreement and the Deed of Charge and Assignment. See "Cash Management".

Annual Review Procedure

The Servicer is required to undertake an annual review in respect of the Borrower and the Loan in accordance with its then current servicing procedures and the Servicing Standard. The Servicer is authorised to conduct this review process more frequently if the Servicer, acting in accordance with the Servicing Standard, has cause for concern as to the ability of the Borrower to meet its financial obligations under the Credit Agreement. The Special Servicer has agreed to assist the Servicer by providing such information as it may have which may be needed by the Servicer for the carrying out of any such review available to it.

Quarterly Arrears Report

Within 10 Business Days after the end of each Interest Period, the Servicer will deliver a report to the Issuer, the Tranche B Lender, the Trustee, the Special Servicer, the Cash Manager and the Rating Agencies in which it will notify of whether the Loan is in arrear or whether the Borrower or the Mortgagor is known by the Servicer to be in breach of any other term of the Credit Agreement or the Related Security. Such report will include, among other things, the following:

(a) a calculation of all collections in respect of the Loan including Borrower Interest Receipts, Borrower Principal Receipts, and resale to MSDW Bank pursuant to the Loan Sale Agreement;

(b) whether at the time of the report the Loan was 1-90 days in arrear, 91-180 days in arrear, or over 180 days in arrear;

(c) whether enforcement had begun at the end of the most recently ended Collection Period, including the total arrear balances;

(d) whether enforcement procedures were completed and the amounts written-off; and

(e) whether the Borrower or Mortgagor is known by the Servicer to be in breach of any term of the Loan or the Related Security likely to prejudice the value of the Loan or the Related Security.

The Special Servicer has agreed to assist the Servicer by providing such information as it may have available to it which may be needed by the Servicer for the production of any such report.

Arrears and Default Procedures

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Loan. Each of the Servicer and the Special Servicer is required to use all reasonable endeavours to recover amounts due from the Borrower should it default. Each of the Servicer and the Special Servicer has agreed, in relation to any default under or in connection with the Credit Agreement and the Related Security, to comply with the procedures for enforcement of the Loan and the Related Security of the Servicer or the Special Servicer, as the case may be, current from time to time (the "**Enforcement Procedures**"). Such procedures for enforcement include the giving of information to the Security Trustee in order to inform the Security Trustee as to how to enforce the security held by the Security Trustee pursuant to the Security Trust.

Upon the instructions of the Issuer, the Trustee, the Servicer or, as the case may be, the Special Servicer (where appointed in respect of the Loan should it become a Specially Serviced Loan), the Security Trustee will, subject to the provisions of the Debenture, Supplementary Debentures and the Credit Agreement, appoint a receiver (subject to the written consent of the Trustee) and if it does so is authorised by the Issuer, Trustee, Servicer or, as the case may be, Special Servicer to agree with the receiver a strategy for best preserving the Issuer's rights and securing any available money from the relevant Properties, which may in certain circumstances involve the receiver managing all or some of the relevant Properties (including the handling of payments of rent) for a period of time and/or seeking to sell the Properties to a third party.

If a Property is sold pursuant to the implementation of the Enforcement Procedures, the net proceeds of sale (after payment of the costs and expenses of the sale) will, together with any amount payable on any related insurance contracts, be applied against the sums owing from the Borrower to the extent necessary to repay the Loan.

Modifications and exercise of discretion

The Servicer and, in certain circumstances, the Special Servicer will be appointed to act on behalf of the Issuer and the Security Trustee in exercising their respective powers and discretions in respect of the Loan and the Related Security. In relation to the exercise of certain discretions as described under "Risk Factors — Factors Relating to the Notes — Ratings of Notes and Confirmations of Ratings", the Servicer and Special Servicer must notify the Rating Agencies and seek the consent of the Trustee in writing in advance of the manner in which they propose to exercise such discretions.

To the extent that it is within the powers of the Servicer or the Special Servicer, as applicable, to do so under the relevant documentation, the Security Trustee will be required to determine whether to agree to any request to waive, vary or amend any provisions of the Credit Agreement. In proposing any such modification, the Servicer or Special Servicer, as the case may be, must act in accordance with the Servicing Standard and must meet certain conditions which are specified in the Servicing Agreement. In particular, any restriction in the Credit Agreement on the ability of the Borrower to assign, transfer or novate its obligations under the Loan to another borrower may not be waived unless the replacement borrower satisfies, in all relevant and material respects, the lending criteria that applied to the transferring Borrower.

Appointment of the Special Servicer and Operating Adviser

MSMS has agreed with the Issuer, the Security Trustee and the Trustee to act initially as Special Servicer (the "**Special Servicer**") if the Loan becomes a Specially Serviced Loan. The Loan will become a "**Specially Serviced Loan**" if (a) either of the interest cover percentages (being the proportion (expressed as a percentage) which the net rental income payable to or for the benefit of the Borrower (i) over the immediately preceding interest period and (ii) for the immediately following period of 12 months bears to the amount of interest payable pursuant to the Credit Agreement for the same period (the "**Interest Cover Percentages**")) are equal to or less than 110 per cent. and (b) the Controlling Party elects to appoint the Special Servicer to act as such in relation to the Loan. The "**Controlling Party**" shall be the Tranche B Lender, provided that the Tranche B Loan has a Principal Amount Outstanding that is not less than 25 per cent. of its Original Principal Amount; if at any time the Tranche B Loan has a Principal Amount Outstanding that is less than 25 per cent. of its Original Principal Amount then the "Controlling Party" will be the holders of the most junior class of Notes outstanding from time to time, which class has a total Principal Amount Outstanding that is not less than 25 per cent. of that class's Original Principal Amount, *provided*, however, that if no class of Notes has a Principal Amount Outstanding that satisfies this requirement, then the "Controlling Party" will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero; and *provided further*, however, that after the occurrence of an Appraisal Reduction, the "Controlling Party" will be (i) the Tranche B Lender if, after deduction of the amount of such Appraisal Reduction against the Principal Amount Outstanding of the Tranche B Loan (if outstanding), the Tranche B Loan has a Principal Amount Outstanding that is not less than 25 per cent. of its Original Principal Amount, and if the Tranche B Loan has a Principal Amount Outstanding that is less than 25 per cent. of its Original Principal Amount, then (ii) the holders of the most junior class of Notes which would have a positive balance after deduction of the amount of such Appraisal Reduction against the Principal Amount(s) Outstanding of the most junior class(es) of Notes then outstanding (subject to the 25 per cent. requirement described above and to the first proviso).

If the Special Servicer is appointed in respect of the Loan, the Controlling Party is entitled to terminate the appointment of the person then acting as Special Servicer and, subject to certain conditions, to appoint a successor thereto. See "— Termination of Appointment of the Servicer or Special Servicer" below.

Notwithstanding the appointment of the Special Servicer in respect of the Loan, the Servicer will continue to have certain limited responsibilities relating to loan administration in respect of the Loan, but will not be liable for the actions of the Special Servicer (if a person other than itself). If either of the Interest Cover Percentages is equal to or less than 120 but greater than 110 per cent. to and including 1st January, 2005, or equal to or less than 125 but greater than 110 per cent. after 1st January, 2005, then the Servicer will promptly give notice thereof to the Special Servicer and will consult with the Special Servicer in relation to the future servicing or exercise of rights in respect of the Loan and/or the Related Security.

The Controlling Party may elect to appoint an operating adviser (the "**Operating Adviser**") to represent its interests and to advise the Special Servicer about the following matters in relation to the Specially Serviced Loan: (a) appointment of a receiver (with the prior written consent of the Trustee) or similar actions to be taken in relation to the Specially Serviced Loan; (b) the amendment, waiver or modification of any term of the Credit Agreement which affects the amount payable by the Borrower or the time at which any amounts are payable, or any other material term of the Loan documents; (c) any action taken in order to ensure compliance with environmental laws at the relevant Property; and (d) the release of any part of the Related Security, or the acceptance of substitute or additional Related Security other than in accordance with the terms of the Loan documentation. Before taking any action in connection with the matters referred to in (a) to (d) above, the Special Servicer must notify the Operating Adviser of its intentions and must take due account of the advice and representations of the Operating Adviser, although if the Special Servicer determines that immediate action is

necessary to protect the interests of the Noteholders and the Tranche B Lender (as a collective whole), the Special Servicer may take whatever action it considers necessary without waiting for the Operating Adviser's response. If the Special Servicer does take such action and the Operating Adviser objects in writing to the actions so taken within 10 Business Days after being notified of the action and provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Operating Adviser regarding any further steps the Operating Adviser considers should be taken in the interests of the Controlling Party. The Operating Adviser will be considered to have approved any action taken by the Special Servicer without the prior approval of the Operating Adviser if it does not object within 10 Business Days. Furthermore, the Special Servicer will not be obliged to obtain the approval of the Operating Adviser for any actions to be taken with respect to the Specially Serviced Loan if the Special Servicer has notified the Operating Adviser in writing of the actions that the Special Servicer proposes to take with respect to the Loan and, for 60 days following the first such notice, the Operating Adviser has objected to all of those proposed actions and has failed to suggest any alternative actions that the Special Servicer considers to be consistent with the standards required to be implemented by the Special Servicer under the Servicing Agreement.

The Operating Adviser and its officers, directors, employees and owners will have no liability to Noteholders or the Tranche B Lender for any advice given, or representations made, to the Special Servicer, or for refraining from the giving of advice or making of representations. The Operating Adviser (a) may have special relationships and interests that conflict with those of holders of one or more classes of Notes and/or the Tranche B Lender; (b) may act solely in the interests of the holders of the Controlling Party; (c) has no duties to Noteholders or the Tranche B Lender, except for the Controlling Party; (d) may act to favour the interests of the Controlling Party over the interests of the Noteholders or any class of them; and (e) will violate no duty and incur no liability by acting solely in the interests of the Controlling Party. Notwithstanding the appointment of an Operating Adviser, the Special Servicer must act at all times in accordance with the Servicing Agreement.

Insurance

The Servicer will, on behalf of the Trustee, the Security Trustee and the Issuer, establish and maintain procedures to monitor compliance with the terms of the Loan regarding the insurance of the Properties.

Upon receipt of notice that any policy of buildings insurance has lapsed or that any Property is otherwise not insured in accordance with the terms of the Loan, the Servicer or the Special Servicer (should the Loan become a Specially Serviced Loan) is required, at the cost of the Issuer and the Tranche B Lender, to arrange such insurance, except in respect of any tenant who is a Self-Insured Entity. Under the terms of the Loan, the Borrower will be required to reimburse the Issuer and/or the Tranche B Lender as applicable for such costs of insurance. See also "Risk Factors — Insurance".

Delegation by the Servicer and the Special Servicer

Each of the Servicer and the Special Servicer may, in certain circumstances, without the consent of the Issuer, the Tranche B Lender, the Security Trustee or the Trustee, sub-contract or delegate its obligations under the Servicing Agreement. Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Servicing Agreement, the Servicer or the Special Servicer, as the case may be, will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Servicing Agreement by any sub-contractor or delegate.

Servicing Fee

Pursuant to the Servicing Agreement, the Issuer will pay to the Servicer (or the person then entitled to the Servicing Fee) on each Interest Payment Date a fee (the "**Servicing Fee**") at the rate of 0.10 per cent. per annum (exclusive of VAT) of the aggregate outstanding principal balance of the Loan (other than should the Loan become a Specially Serviced Loan in respect of which the Special Servicer is being paid the Special Servicing Fee) at the beginning of the Collection Period to which that Interest Payment Date relates. The Servicing Fee, or any part of such Servicing Fee, is assignable by the Servicer, subject to the assignee agreeing to be bound by the terms of the Deed of Charge and Assignment. Following any termination of MSMS's appointment as Servicer, the Servicing Fee will be paid to any substitute servicer appointed; provided that the Servicing Fee may be payable at a higher rate agreed in writing by the Trustee (but which does not exceed the rate then

commonly charged by providers of loan servicing services secured on commercial properties) to any substitute servicer.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), the Issuer will pay the Servicing Fee to the Servicer and will reimburse the Servicer for all costs and expenses incurred by the Servicer in the enforcement of the Loan and the Related Security (including any substitute servicer). The Servicing Fee is payable in priority to payments on the Notes. This has been agreed with a view to procuring the continuing performance by the Servicer of its duties in relation to the Issuer, the Tranche B Lender, the Security Trustee, the Trustee, the Loan, the Related Security and the Notes. See "Credit Structure".

Special Servicing Fee and Liquidation Fee

Pursuant to the Servicing Agreement, if the Special Servicer is appointed in respect of the Loan and the Loan is consequently designated as a Specially Serviced Loan, the Special Servicer will receive a fee (a "**Special Servicing Fee**") equal to 0.15 per cent. per annum (exclusive of VAT) of the outstanding principal amount of the Specially Serviced Loan, for a period commencing on the date the Loan is designated as a Specially Serviced Loan and ending on the date the Property the subject of the Loan is sold on enforcement or the date on which the Interest Cover Percentages have been maintained at or above 110 per cent. for a period of three consecutive months, as applicable. The Special Servicing Fee will accrue on a daily basis over such period and will be payable on each Interest Payment Date commencing with the Interest Payment Date following the date on which such period begins and ending on the Interest Payment Date following the end of such period. No Servicing Fee will be payable in respect of the Specially Serviced Loan in respect of which the Special Servicing Fee is payable. In addition to the Special Servicing Fee, the Special Servicer will be entitled to a fee (a "**Liquidation Fee**") in respect of the Specially Serviced Loan equal to an amount up to 1 per cent. (exclusive of VAT) of the proceeds (net of costs and expenses of sale), if any, arising on the sale of the Property securing the Specially Serviced Loan. The Liquidation Fee will be negotiated (subject to a maximum fee of 1 per cent. of net proceeds, as described above) and agreed by the Controlling Party and the Special Servicer in respect of the Specially Serviced Loan, and notified to the Security Trustee, the Trustee and the Servicer in writing, and will be payable out of Principal Recovery Funds on the Interest Payment Date immediately following the receipt of such net proceeds, provided that no amount will be payable to the Special Servicer in respect of a Liquidation Fee if and to the extent that, on such Interest Payment Date, no Applicable Principal Loss will be allocable to any class of Notes (other than the most junior class of Notes outstanding on such Interest Payment Date), by reason of the deduction of the Liquidation Fee from the net proceeds of sale.

For so long as the Tranche B Loan is outstanding, the Tranche B Lender shall pay any Extraordinary Servicing Expenses, which are all amounts due to the Special Servicer in excess of the Servicing Fee. Such payment will be pursuant to the addition of such amounts to the Tranche A Coupon, and the deduction of such Extraordinary Servicing Expenses from the Tranche B Coupon.

Ability to Purchase Loan and Related Security

The Issuer and the Tranche B Lender have, pursuant to the Priority and Intercreditor Agreement and the Servicing Agreement, granted the option on any Interest Payment Date under the Notes (a) to the Servicer to purchase the Loan (so long as it is not a Specially Serviced Loan) and (b) to the Special Servicer to purchase the Specially Serviced Loan, and also in each case to purchase the beneficial interest in the Security Trust created over the Related Security; provided that on the Interest Payment Date on which the Servicer or Special Servicer, as applicable, intends to purchase the Loan and the beneficial interest in the Security Trust created over the Related Security the sum of the then aggregate Principal Amount Outstanding of (a) all the Notes and (b) the Tranche B Loan would be less than 10 per cent. of their aggregate Principal Amount Outstanding as at the Closing Date. The Servicer or Special Servicer, as applicable, must give the Issuer, the Tranche B Lender and the Trustee not more than 60 nor less than 30 day's written notice of its intention to purchase the Loan. The purchase price to be paid by the Servicer or Special Servicer, as applicable, to the Issuer and/or the Tranche B Lender will be either (i) an amount sufficient to discharge the aggregate of (x) all of its liabilities in respect of the Notes (including any swap transaction to the extent that it relates to the Tranche A Loan), (y) any amounts required under the Deed of Charge and Assignment to be paid in priority to, or *pari passu* with, the Notes on the date of the purchase by the Servicer, all in accordance with the Deed of Charge and Assignment and Condition 6(*b*) and (z) the Tranche B Liabilities or (ii) a lesser amount otherwise agreed to by the Servicer or Special Servicer, as applicable, on the one hand and the Controlling Party, the Tranche B Lender (provided that there

are Tranche B Liabilities remaining unpaid), and the Trustee on the other and notified to the Issuer and the Trustee in writing by the Servicer or, as applicable, the Special Servicer.

Termination of Appointment of Servicer or Special Servicer

The appointment of the Servicer or the Special Servicer under the Servicing Agreement may be terminated by the Trustee following a termination event, by voluntary termination or by automatic termination and the appointment of the Special Servicer may be terminated by the Controlling Party.

The Trustee may terminate the Servicer's or Special Servicer's appointment under the Servicing Agreement upon the occurrence of a termination event in respect of that entity, including, *inter alia*, a default in the payment on the due date of any payment to be made by it under the Servicing Agreement, or, in certain circumstances, a default in performance of any of its other material covenants or obligations under the Servicing Agreement, or in the event that an order is made or an effective resolution passed for its winding up, or if it becomes insolvent. On the termination of the appointment of the Servicer or, as the case may be, the Special Servicer by the Trustee, the Trustee may, subject to certain conditions (including, but not limited to, the prior written approval of the Rating Agencies), appoint a substitute servicer or, as the case may be, substitute special servicer. If the appointment of the Special Servicer is terminated in respect of the Loan (otherwise than by reason of the Loan ceasing to be a Specially Serviced Loan) and a successor is not appointed in accordance with the Servicing Agreement, the Servicer will assume the rights and obligations of the Special Servicer in respect of the Loan.

If the Tranche B Lender is the Controlling Party, it will be entitled to terminate the appointment of the person then acting as Special Servicer and to appoint a successor thereto. If the Controlling Party is the holder of any class of Notes, upon any reduction to 25 per cent. of the original Principal Amount Outstanding under the most junior class of Notes outstanding at any time (whether by reason of the allocation of any Applicable Principal Loss, redemption of such Notes or otherwise), the holders of the next most junior class of Notes then outstanding will be entitled, by an Extraordinary Resolution passed by the Controlling Party to require the Trustee to terminate the appointment of the person then acting as Special Servicer and to appoint a successor thereto acceptable to the Controlling Party. In addition, provided that the Loan is a Specially Serviced Loan, the Controlling Party shall be entitled to terminate the appointment of the person then acting as Special Servicer and to appoint a successor thereto. Such successor must be appointed pursuant to the terms and conditions described in relation to a substitute special servicer as described in the following paragraph.

Each of the Servicer and the Special Servicer may terminate its appointment upon not less than three months' prior written notice to each of the Issuer, the Tranche B Lender, the Security Trustee, the Trustee and the Servicer or the Special Servicer (whichever is not purporting to give notice) provided that a qualified substitute servicer or substitute special servicer, as the case may be, shall have been appointed and agreed to be bound by the Servicing Agreement (including, but not limited to, those provisions as to the fees, costs and expenses) and the Deed of Charge and Assignment, such appointment to be effective not later than the date of termination, and provided further that the Rating Agencies have provided written confirmation that the then applicable ratings of the Notes will not be qualified, downgraded or withdrawn as a result thereof unless otherwise agreed by an Extraordinary Resolution of separate class meetings of each class of the Noteholders.

On termination of its appointment, the Servicer or the Special Servicer, as the case may be, will forthwith deliver to the Trustee, or as the Trustee directs, all documents, information, computer stored data and monies held by it in relation to its appointment as Servicer or the Special Servicer, as the case may be, and will be required to take such further action as the Trustee may reasonably direct to enable the services of the Servicer or the Special Servicer, as the case may be, to be performed by a substitute thereof.

The Servicing Agreement will terminate automatically at such time as neither the Issuer nor the Trustee, nor, for so long as any of the Tranche A Liabilities are still outstanding, the Security Trustee, has any further interest in the Loan or the beneficial interest in the Security Trust created over the Related Security or, if later, upon discharge of all of the liabilities of the Issuer to the Secured Parties.

Receivers

Pursuant to the Servicing Agreement, the Servicer and the Special Servicer, as necessary, are authorised to give any receiver appointed pursuant to a Debenture an indemnity on behalf of the Issuer and the Security Trustee, provided that the indemnity is required by the receiver as a condition of its appointment or continued appointment and reasonable endeavours to appoint a suitably qualified and experienced receiver without the provision of such an indemnity have been taken by the Security Trustee (or the entity giving instructions to the Security Trustee) and provided further that the terms of any indemnity would be acceptable to a reasonably prudent lender of money secured on commercial property.

The Servicer or the Special Servicer, as the case may be, and the Security Trustee are required to use their best endeavours to ensure that the receiver appointed in respect of the Loan and/or the Related Security sells any such assets as soon as possible after such receiver's appointment.

General

In addition to the duties described above, the Servicer is required under the Servicing Agreement to perform duties customary for a servicer of mortgage loans such as retaining or arranging for the retention of loan and property deeds and other documents in safe custody and software licensing and sub-licensing.

The Servicer or the Special Servicer on behalf of the Issuer, the Tranche B Lender, the Security Trustee and the Trustee may agree to any request by a Borrower to vary or to amend certain terms of the relevant mortgage conditions, subject to any such variation or amendment satisfying certain conditions set out in the Servicing Agreement.

Notwithstanding the foregoing, neither the Servicer nor the Special Servicer will be liable for any obligation of the Borrower under any Credit Agreement or any Related Security, nor have any liability to any third party for the obligations of the Tranche B Lender, the Issuer or the Trustee under the Notes or any of the documents listed under paragraph 10 of "General Information" (the "**Relevant Documents**") nor have any liability to the Issuer, the Tranche B Lender, the Trustee, the Noteholders or any other person for any failure by the Issuer to make any payment due by it under the Notes or any of the Relevant Documents unless such failure by the Issuer results from a failure by the Servicer or the Special Servicer, as the case may be, to perform its obligations under the Servicing Agreement.

Cash Manager

Pursuant to an agreement to be entered into on or prior to the Closing Date between the Issuer, the Servicer, the Special Servicer, the Trustee, the Cash Manager, the Operating Bank and MSDW Bank (the "**Cash Management Agreement**"), each of the Issuer and the Trustee will appoint HSBC Bank plc (in this capacity, the "**Cash Manager**") to be its agent to provide certain cash management services in relation to, *inter alia*, the Transaction Account, as are more particularly described below. The Cash Manager will undertake with the Issuer and the Trustee that in performing the services to be performed and in exercising its discretion under the Cash Management Agreement, the Cash Manager will exercise the same level of skill, care and diligence as it would apply if it were the beneficial owner of the monies to which the services relate and that it will comply with any directions, orders and instructions which the Issuer or the Trustee may from time to time give to the Cash Manager in accordance with the provisions of the Cash Management Agreement.

Operating Bank and Issuer's Accounts

Pursuant to the Cash Management Agreement, HSBC Bank plc (in this capacity, the "**Operating Bank**") will open and maintain the Transaction Account, the Interest Rate Swap Collateral Cash Account, the FX Swap Collateral Cash Account, the Stand-by Account and, if required, the Interest Rate Swap Collateral Custody Account and/or the FX Swap Collateral Custody Account in the name of the Issuer. The Operating Bank has agreed to comply with any direction of the Cash Manager, the Issuer or the Trustee to effect payments from the Transaction Account, the Stand-by Account, the Interest Rate Swap Collateral Cash Account or the FX Swap Collateral Cash Account if such direction is made in accordance with the mandate governing the applicable account.

Calculation of Amounts and Payments

Under the Servicing Agreement, the Servicer and the Special Servicer are required to provide information to the Security Trustee in order to enable the Security Trustee to transfer all Borrower Interest Receipts, Borrower Principal Receipts and Prepayment Fees from the Tranching Account (and, if relevant, the Interest Rate Swap Collateral Cash Account and/or the FX Swap Collateral Cash Account) into the Transaction Account; all payments required to be made by the Issuer to either the Interest Rate Swap Provider under the Interest Rate Swap Agreement or the FX Swap Provider under the FX Swap Agreement will be deducted from the Transaction Account. In addition, all payments made by either Swap Provider and/or the Interest Rate Swap Guarantor, other than those contemplated by the Interest Swap Agreement Credit Support Document or the FX Swap Agreement Credit Support Document (as applicable) and all drawings under the Liquidity Facility, will be paid into the Transaction Account. See "Servicing" and "Credit Structure — The Swap Agreements" and "— Liquidity Facility". Once such funds have been credited to the Transaction Account, the Cash Manager shall invest such sums in Eligible Investments and is required to apply such funds in accordance with the Deed of Charge and Assignment and the Cash Management Agreement, as described below.

On each Calculation Date (being the second Business Day prior to the relevant Interest Payment Date), the Cash Manager is required to determine, on the basis of information provided by the Servicer, the various amounts required to pay interest and principal due on the Notes on the forthcoming Interest Payment Date and all other amounts then payable by the Issuer, and the amounts available to make such payments. In addition, the Cash Manager will calculate the Principal Amount Outstanding and the Pool Factor (each as defined in Condition 6(*e*)) for each class of Notes for the Interest Period commencing on such forthcoming Interest Payment Date and the amount of each Note Principal Payment due on the next following Interest Payment Date, in each case pursuant to Condition 6(*e*).

On each Interest Payment Date, the Cash Manager will determine and pay on behalf of the Issuer, out of the Available Interest Receipts and Available Principal determined by the Cash Manager to be available for such purposes as described above, each of the payments required to be paid pursuant to and in the priority set forth in the Deed of Charge and Assignment. In addition, the Cash Manager will, from time to time, pay on behalf of the Issuer all Revenue Priority Amounts and all Principal Priority Amounts required to be paid by the Issuer, as determined by the Servicer.

The Cash Manager will make all payments required to carry out a redemption of Notes pursuant to Condition 6(*c*) or Condition 6(*d*), in each case according to the provisions of the relevant Condition. See further "Terms and Conditions of the Notes".

If the Cash Manager, acting on the basis of information provided to it by the Servicer determines, on any Calculation Date, that a shortfall in Scheduled Interest Receipts or Scheduled Principal Receipts will arise in respect of the Tranche A Loan on the next following Interest Payment Date or that there will be a shortfall in the amount required to pay any interest that has accrued on existing drawings under the Liquidity Facility or if certain Revenue Priority Amounts which fall due on a date other than an Interest Payment Date and cannot be met by the application of other funds available for the purpose, the Cash Manager is required to submit a notice of drawdown under the Liquidity Facility Agreement. If the Cash Manager fails to submit a notice of drawdown when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Trustee may submit the relevant notice of drawdown.

Ledgers

The Cash Manager will maintain the following ledgers:

(a) the Interest Ledger;

(b) the Principal Ledger;

(c) the Liquidity Ledger;

(d) the Prepayments Ledger;

(e) the Interest Rate Swap Breakage Receipts Ledger; and

(f) the FX Swap Breakage Receipts Ledger.

In addition, the Cash Manager will maintain such other ledgers as the Issuer, the Trustee, the Servicer or the Special Servicer may from time to time request.

The Cash Manager will from time to time in accordance with the payments made:

(a) credit the Interest Ledger with all Borrower Interest Receipts transferred and credited to the Transaction Account and debit the Interest Ledger with all payments made out of Borrower Interest Receipts;

(b) credit the Principal Ledger with all Borrower Principal Receipts transferred and credited to the Transaction Account and debit the Principal Ledger with all payments made out of Available Scheduled Amortisation Amounts, Available Prepayment Redemption Amounts, Available Final Redemption Amounts, Available Principal Recovery Funds and Release Sum Funds;

(c) credit the Liquidity Ledger with any transfer made pursuant to item (i)(K) or item (xi) in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — (b) Available Interest Receipts", or item (i) in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — (c) Available Principal" and debit the Liquidity Ledger with all drawings under the Liquidity Facility;

(d) credit the Prepayments Ledger with all Prepayment Fees and debit the Prepayments Ledger with all payments made out of Prepayment Fees;

(e) credit the Interest Rate Swap Breakage Receipts Ledger with all Interest Rate Swap Breakage Receipts transferred and credited to the Transaction Account and debit the Interest Rate Swap Breakage Ledger with all payments made out of Interest Rate Swap Breakage Receipts; and

(f) credit the FX Swap Breakage Receipts Ledger with all FX Swap Breakage Receipts transferred and credited to the Transaction Account and debit the FX Swap Breakage Ledger with all payments made out of FX Swap Breakage Receipts.

Cash Manager Quarterly Report

Pursuant to the Cash Management Agreement, the Cash Manager has agreed to deliver to the Issuer, the Trustee, the Servicer and the Rating Agencies a report in respect of each Calculation Date in which it will notify the recipients of, *inter alia*, all amounts received in the Issuer's Transaction Account and payments made with respect thereto and all entries made in the relevant ledgers.

Delegation by the Cash Manager

The Cash Manager may, in certain circumstances, without the consent of the Issuer or the Trustee, sub-contract or delegate its obligations under the Cash Management Agreement. Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Cash Management Agreement, the Cash Manager will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Cash Management Agreement by any sub-contractor or delegate.

Fees

Pursuant to the Cash Management Agreement, the Issuer will pay to the Cash Manager on each Interest Payment Date a cash management fee as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager and the Operating Bank for all out-of-pocket costs and expenses properly incurred by them in the performance of the services to be provided by them under the Cash Management Agreement as Cash Manager and Operating Bank, respectively. Any successor cash manager will receive remuneration on the same basis.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), amounts payable by the Issuer to the Cash Manager and the Operating Bank will be payable in priority to payments due on the Class A Notes. This order of priority has been agreed with a view to procuring the continuing performance by each of the Cash Manager and the Operating Bank of their duties in relation to the Issuer, the Trustee, the Tranche A Loan, the Related Security and the Notes.

Termination of Appointment of the Cash Manager

The appointment of HSBC Bank plc as Cash Manager under the Cash Management Agreement may be terminated by virtue of its resignation or its removal by the Issuer or the Trustee. The Issuer or the Trustee may terminate the Cash Manager's appointment upon not less than three months' written notice or immediately upon the occurrence of a termination event, including, *inter alia*, (i) a failure by the Cash Manager to make when due a payment required to be made by the Cash Manager on behalf of the Issuer, or (ii) a default in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for a period of fifteen Business Days after the earlier of the Cash Manager becoming aware of such default or receipt by the Cash Manager of written notice from the Trustee requiring the same to be remedied, or (iii) a petition is presented or an effective resolution passed for its winding up or the appointment of an administrator, examiner or similar official. On the termination of the Cash Manager by the Trustee, the Trustee may, subject to certain conditions, appoint a successor cash manager.

The Cash Manager may resign as Cash Manager upon not less than three months' written notice of resignation to each of the Issuer, the Servicer, the Special Servicer, MSDW Bank, the Operating Bank and the Trustee provided that a suitably qualified successor Cash Manager has been appointed.

Termination of Appointment of the Operating Bank

The Cash Management Agreement requires that the Operating Bank be (except in the limited circumstances set out in this paragraph) a bank which is an Authorised Entity. If HSBC Bank plc ceases to be an Authorised Entity, the Operating Bank will give written notice of such event to the Issuer, the Servicer, the Special

Servicer, the Cash Manager and the Trustee and will, within a reasonable time after having obtained the prior written consent of the Issuer, the Servicer, the Special Servicer and the Trustee and subject to establishing substantially similar arrangements to those contained in the Cash Management Agreement, procure the transfer of the Transaction Account and each other account held by the Issuer with the Operating Bank to another bank which is an Authorised Entity. If at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the accounts need not be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

An "**Authorised Entity**" is an entity the short-term unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least at the Requisite Rating or, if at the relevant time there is no such entity, any entity approved in writing by the Trustee.

If, other than in the circumstances specified above, the Cash Manager wishes the bank or branch at which any account of the Issuer is maintained to be changed, the Cash Manager is required to obtain the prior written consent of the Issuer and the Trustee, such consent not to be unreasonably withheld, and the transfer of such account will be subject to the same directions and arrangements as are provided for above.

CREDIT STRUCTURE

The composition of the Loan and the Related Security and the structure of the transaction and the other arrangements for the protection of the Noteholders, in the light of the risks involved, have been reviewed by the Rating Agencies. The ratings assigned by the Rating Agencies to each class of Notes are set out in "Summary — The Notes — Ratings". A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings of the Notes are dependent upon, among other things, the short term unsecured, unguaranteed, unsubordinated debt ratings of the Liquidity Facility Provider and the short term and long term unsecured, unsubordinated debt rating of the Interest Rate Swap Guarantor. Consequently, a qualification, downgrade or withdrawal of either such ratings may have an adverse effect on the ratings of the Notes.

The principal risks associated with the Notes and the manner in which they are addressed in the structure are set out below. Attention is also drawn to the section of this Offering Circular entitled "Risk Factors" for a description of the principal risks in respect of the Loan and the Related Security.

1. Liquidity, Credit and Basis Risk

The Issuer is subject to:

(a) the risk of delay arising between scheduled Loan Payment Dates and the receipt of payments due from the Borrower. This risk is addressed in respect of the Notes through the ability of the Issuer to seek drawings under the Liquidity Facility Agreement to cover certain third party expenses, Borrower Interest Receipts and certain amounts in respect of Amortisation Funds and by the liquidity support provided to the Notes by the subordination of the Tranche B Loan to the Tranche A Loan, and in addition by the credit support provided to classes of Notes by those classes of Notes (if any) ranking lower in priority to that class;

(b) the risk of default in payment and the failure by the Security Trustee, the Servicer or the Special Servicer, on behalf of the Issuer, to realise or to recover sufficient funds under the enforcement procedures in respect of the Loan and the Related Security in order to discharge all amounts due and owing by the relevant Borrower under the Loan. This risk is addressed in respect of the Notes by the credit support provided to classes of Notes by those classes of Notes (if any) ranking lower in priority to that class;

(c) the risk of the interest rates payable by the Borrower on the Loan being less than that required by the Issuer in order to meet its commitments under the Notes and its other obligations. This risk is addressed by the Interest Rate Swap Transaction (see "The Swap Agreements" below), and by the ability of the Issuer to seek drawings under the Liquidity Facility Agreement to cover certain third party expenses and shortfalls in Borrower Interest Receipts; and

(d) the risk of movements in foreign exchange rates as a result of the Class B Notes being denominated in dollars, and the Loan being denominated in sterling. This is addressed by the FX Swap Transaction. See "The Swap Agreements" below.

2. Liabilities under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by MSDW Bank or any associated entity of MSDW Bank, or of or by the Tranche B Lender, the Managers, the Servicer, the Special Servicer, the Cash Manager, the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider, the Depository, the Exchange Agent or the Operating Bank or any company in the same group of companies as those parties listed above and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

On each Interest Payment Date, payments of interest on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, respectively, will be due and payable only if and to the extent that there are sufficient funds available to the Issuer to pay interest on the Class A Notes and other liabilities of the Issuer ranking higher in priority to interest payments on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, respectively, as provided in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — Available Interest Receipts", and which have been paid or provided for in full. To the extent that there are insufficient funds available to the Issuer on any Interest Payment Date to pay in full interest otherwise due on any one or more classes of junior-ranking Notes then outstanding, after making the payments and provisions ranking higher in priority to the relevant interest payment, as the case may be, such interest will not then be due and payable but subject, in the case of the Class E Notes, to the following paragraph, will become due and payable, together with accrued interest thereon, on subsequent Interest Payment Dates, but only if and to the extent that funds are available therefor.

The Issuer's obligation to pay interest in respect of the Class E Notes is limited, on each Interest Payment Date, to an amount equal to the lesser of (a) the Interest Amount (as defined in Condition 5(d)) in respect of such class of Notes for that Interest Payment Date, and (b) the result of (i) the Available Interest Receipts in respect of such Interest Payment Date (including, for avoidance of doubt, the amount available for drawing by way of Interest Drawings and Accrued Interest Drawings under the Liquidity Facility Agreement on such Interest Payment Date), minus (ii) the sum of all amounts payable out of Available Interest Receipts on such Interest Payment Date in priority to the payment of interest on such class of Notes (the amount calculated under (b) in respect of an Interest Payment Date being the "**Adjusted Interest Amount**" for such class of Notes on that Interest Payment Date). No amount will be payable by the Issuer in respect of the amount, on any Interest Payment Date, by which the Interest Amount in respect of the Class E Notes exceeds the Adjusted Interest Amount in respect of such class, the debt that would otherwise be represented by such shortfall will be extinguished, and the affected Noteholders will have no claim against the Issuer in respect thereof. For the avoidance of doubt, the Adjusted Interest Amount shall only apply to any interest overdue (and any interest due on such overdue interest) on the Class E Notes with respect to any accrued interest payable by the Borrower in connection with any prepayment in part or in full made by the Borrower under the Tranche A Loan.

The Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will provide credit support for the Class A Notes. However, the Release Sum Available Principal will be applied (a) by paying the Release Sum Sequential Available Funds of Release Sum Available Principal first, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full and only then will payments of Release Sum Sequential Available Funds of Release Sum Available Principal be paid on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and then, (b) by paying the Release Sum Pro Rata Available Funds of Release Sum Available Principal *pari passu* and *pro rata*, on the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes until each such class has been redeemed in full subject to certain conditions as provided in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — Available Principal".

Following distribution of such Release Sum Available Principal, the aggregate of the Sequential Available Principal of funds which are available in respect of payments of principal on the Notes will be applied first, in paying the aggregate of all Liquidity Facility Repayment Amounts (as defined in the Definitions Agreement) applicable to Principal Drawings then outstanding under the Liquidity Facility Agreement, second, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full and only then will payments of principal on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes become payable, as provided in "Summary — Available Funds and their Priority of Application — Payments out of the Transaction Account prior to Enforcement of the Notes — Available Principal".

3. Post-Enforcement Priority of Payments

The Issuer Security will become enforceable upon the Trustee giving a Note Enforcement Notice. Following enforcement of the Issuer Security, the Trustee will be required to apply all funds received or recovered by it in accordance with the following order of priority (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge and Assignment:

(i) in or towards satisfaction of any amounts due and payable by the Issuer to (a) *pari passu* and *pro rata*, the Trustee, the Security Trustee and any receiver appointed under the Deed of Charge and Assignment and any amounts due and payable to any receiver appointed in respect of the Loan and/or the Related Security; then (b) to the Interest Rate Swap Provider in respect of amounts due or overdue to it under the Interest Rate Swap Agreement (except for (a) any swap breakage costs arising because the Interest Rate Swap Provider was the Defaulting Party (as defined in the Interest Rate Swap Agreement) or (b) any Interest Rate Swap Breakage Receipts paid to the Issuer following any default under the Tranche A Loan) as supplemented by the Interest Rate Swap Agreement Credit Support Document (other than payments to be made by the Issuer referred to in (x) below); then (c) *pari passu* and *pro rata*, the Paying Agents, the Exchange Agent and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement or the Exchange Rate Agency Agreement; then (d) the Servicer in respect of the Servicing Fee (or any other person then entitled thereto) and the Special Servicer in respect of any Special Servicing Fees and any other amounts (including any amounts due to the Special Servicer in respect of any Liquidation Fee) due to the Servicer and the Special Servicer pursuant to the Servicing Agreement, in each case as between the Servicer and the Special Servicer *pari passu* and *pro rata*; then (e) the Cash Manager under the Cash Management Agreement; then (f) the Corporate Services Provider under the Corporate Services Agreement; then (g) the Share Trustee under the Declaration of Trust; then (h) amounts due to the Depository under the Depository Agreement; then (i) the Operating Bank under the Cash Management Agreement; and then (j) amounts due to the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement in respect of Principal Drawings, Interest Drawings, Accrued Interest Drawings and Expenses Drawings and the commitment fee (except to the extent that the commitment fee has been increased pursuant to the imposition of increased costs on the Liquidity Facility Provider); and any Mandatory Costs, up to a maximum aggregate amount of 0.125 per cent. per annum, due or overdue to the Liquidity Facility Provider under the Liquidity Facility Agreement;

(ii) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) on the Class A Notes; and after payments of all such sums (b) all amounts of principal due or overdue on the Class A Notes and all other amounts due in respect of the Class A Notes until the outstanding principal balance of the Class A Notes is reduced to zero;

(iii) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) to the FX Swap Provider under the FX Swap Transaction (to enable the Issuer to use the corresponding dollar payments received from the FX Swap Provider to make payments to the Class B Notes) in respect of such interest; and after payments of all such sums (b) all amounts of principal due or overdue to the FX Swap Provider under the FX Swap Transaction (to enable payments to be made pursuant to the Class B Notes in respect of such principal) in respect of the Class B Notes until the outstanding principal balance of the Class B Notes is reduced to zero;

(iv) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) on the Class C Notes; and after payments of all such sums (b) all amounts of principal due or overdue on the Class C Notes and all other amounts due in respect of the Class C Notes until the outstanding principal balance of the Class C Notes is reduced to zero;

(v) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) on the Class D Notes; and after payments of all such sums (b) all amounts of principal due or overdue on the Class D Notes and all other amounts due in respect of the Class D Notes until the outstanding principal balance of the Class D Notes is reduced to zero;

(vi) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) on the Class E Notes; and after payments of all such sums (b) all amounts of principal due or overdue on the Class E Notes and all other amounts due in respect of the Class E Notes until the outstanding principal balance of the Class E Notes is reduced to zero;

(vii) any amounts in respect of any Mandatory Costs due to the Liquidity Facility Provider under the Liquidity Facility Agreement in excess of those amounts referred to under item (i)(j) above and any additional amounts payable to the Liquidity Facility Provider in respect of withholding taxes or increased costs as a result of a change in law or regulation, including, without limitation, any increase

in the commitment fee payable to the Liquidity Facility Provider as a result of the imposition of increased costs;

(viii) in or towards satisfaction of any amounts due and payable by the Issuer to the Interest Swap Provider under the Interest Rate Swap Agreement in respect of payments due by the Issuer following an early termination of the Interest Rate Swap Agreement as a result of an event of default under the Interest Rate Swap Agreement in respect of which the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

(ix) in or towards satisfaction of all amounts then owed or owing to MSDW Bank under the Loan Sale Agreement on any account whatsoever; and

(x) any surplus to the Issuer or other persons entitled thereto.

An amount equal to all Prepayment Fees will be paid to MSDW Bank or the person or persons then entitled thereto. Upon enforcement of the Issuer Security, the Trustee will have recourse only to the rights of the Issuer to the Loan and the Issuer's beneficial interest in the Security Trust created over the Related Security and all other assets constituting the Issuer Security. Other than (a) as provided in the Loan Sale Agreement for material breach of warranty in relation to the Tranche A Loan and, in certain limited circumstances, the Related Security (as to which, see further "The Loan and the Related Security — Representations and Warranties") and breach of other provisions specified therein, and (b) in relation to the Servicing Agreement, the Priority and Intercreditor Agreement and the Subscription Agreement for breach of the obligations of MSMS or MSDW Bank set out therein, the Issuer and/or the Trustee will have no recourse to MSMS or MSDW Bank.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver, the Security Trustee and the Trustee, amounts due to the Servicer or any other person in respect of the Servicing Fee and to the Special Servicer in respect of the Special Servicing Fee and Liquidation Fees, the Cash Manager, the Corporate Services Provider, the Share Trustee, the Operating Bank, the Depository, all payments due to the Interest Rate Swap Provider under the Interest Rate Swap Transaction, all payments due to the FX Swap Provider under the FX Swap Transaction and all payments due to the Liquidity Facility Provider under the Liquidity Facility (other than in respect of amounts specified at item (ix) above) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders, all amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders, all amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders and all amounts owing to the Class D Noteholders will rank higher in priority to all amounts owing to the Class E Noteholders.

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer, other than any surplus arising on the realisation of or enforcement with respect to any remaining security, will not be available for payment of any shortfall arising therefrom (which will be borne in accordance with the terms of the Deed of Charge and Assignment). All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished and the Trustee, the Noteholders and the other Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that, save as aforesaid, (i) upon enforcement of the Issuer Security, its right to obtain repayment in full is limited to the Issuer Security, and (ii) the Issuer has duly and entirely fulfilled its repayment obligation by making available to the Noteholder its relevant part of the proceeds of realisation or enforcement with respect to the Issuer Security in accordance with the Deed of Charge and Assignment and all claims in respect of such shortfall will be extinguished.

4. Liquidity Facility

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider and the Trustee, whereby the Liquidity Facility Provider will provide the Liquidity Facility, a 364-day committed loan facility, which will be renewable as described below and which will permit drawings to be made by the Issuer of up to an initial amount of £15,000,000. However, on any Interest Payment Date on which

6.00 per cent. of the then outstanding principal amount of the Tranche A Loan equals less than £15,000,000, the liquidity facility commitment will be reduced to such an amount, provided that the liquidity facility commitment will not at any time be less than the lesser of £5,000,000 and 10 per cent. of the then outstanding principal amount of the Tranche A Loan.

If on any Business Day the Cash Manager determines that there will be a shortfall in the amount available to pay the Revenue Priority Amount due from the Issuer to a third party other than MSDW Bank (an "**Expenses Shortfall**"), the Cash Manager may, on behalf of the Issuer, make an Expenses Drawing pursuant to the Liquidity Facility Agreement on the next Business Day in an amount equal to the relevant Expenses Shortfall.

On each Calculation Date, the Cash Manager will determine whether an Interest Shortfall, Principal Shortfall or Accrued Interest Shortfall will arise in respect of the Tranche A Loan on the next following Interest Payment Date and, if so, will make Interest Drawings, Principal Drawings and Accrued Interest Drawings as required on the day immediately preceding that Interest Payment Date. Each such drawing will be in an amount equal to the relevant shortfall (subject to any Appraisal Reduction, as described below) and will be credited to the Transaction Account.

An "**Interest Shortfall**" will arise on an Interest Payment Date if and to the extent that the Borrower Interest Receipts received during the relevant Collection Period (other than voluntary prepayments of interest) were less than the Scheduled Interest Receipts for that Collection Period.

A "**Principal Shortfall**" will arise on an Interest Payment Date if the Borrower Principal Receipts received during the relevant Collection Period (other than Principal Recovery Funds) were less than the Scheduled Principal Receipts for that Collection Period. The Liquidity Facility will not be available to fund shortfalls in the amount of Final Redemption Funds, Principal Recovery Funds, Prepayment Redemption Funds or Release Sum Funds or to fund any Principal Priority Amount.

An "**Accrued Interest Shortfall**" will arise on an Interest Payment Date if and to the extent that the Borrower Interest Receipts received during a Collection Period are insufficient to cover (a) the Scheduled Interest Receipts due in that Collection Period; plus (b) the outstanding amount of any Interest Drawings; plus (c) the amount of any interest which will have accrued on such Interest Payment Date on outstanding Interest Drawings, Principal Drawings and Accrued Interest Drawings.

The "**Scheduled Interest Receipts**" in a Collection Period include all payments of interest, fees (other than Prepayment Fees and any other amounts received as a result of the prepayment of the Loan (other than interest on the Loan)), breakage costs, expenses, commissions and other sums due and payable by the Borrower to the Tranche A Lender during that Collection Period (other than any payments in respect of principal). The "**Scheduled Principal Receipts**" in a Collection Period include all payments of principal of the Loan, excluding Final Redemption Funds, scheduled to be paid by the Borrower to the Tranche A Lender during that Collection Period. The amount of Scheduled Interest Receipts and Scheduled Principal Receipts due in a Collection Period will be calculated on the assumption that the Borrower has made all prior payments under the Credit Agreement when due (but taking into account, for the avoidance of doubt, any prepayment made by the Borrower). However, if on any Interest Payment Date there are insufficient funds available under the Liquidity Facility to enable the Issuer to draw the amount it would otherwise be entitled to draw in respect of an Interest Shortfall or a Principal Shortfall (i.e. there is a "**Liquidity Facility Deficiency**"), the "Scheduled Interest Receipts" and/or "Scheduled Principal Receipts" due from the Borrower to the Tranche A Lender during the Collection Period immediately following that Interest Payment Date will be calculated on the assumption that the Borrower Interest Receipts or Borrower Principal Receipts, as the case may be, for the prior Collection Period were reduced by the amount of the Liquidity Facility Deficiency.

If completion of the Enforcement Procedures takes place in respect of the Loan during a Collection Period, all outstanding Interest Drawings, Principal Drawings, Accrued Interest Drawings and Expenses Drawings (together, the "**Liquidity Drawings**") will be repaid in full on the next following Interest Payment Date. If completion of the Enforcement Procedures does not take place, any outstanding Liquidity Drawings will be repaid on each Interest Payment Date as follows:

(1) Interest Drawings will be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received during the immediately preceding Collection Period exceed the Scheduled

Interest Receipts due in such Collection Period; provided however that the amount repayable will not exceed the aggregate of all Interest Drawings outstanding on such Interest Payment Date;

(2) Principal Drawings will be repayable in an amount equal to the amount (if any) by which the Borrower Principal Receipts received during the relevant Collection Period exceed the Scheduled Principal Receipts due and payable in such Collection Period; provided however that the amount repayable on any Interest Payment Date will not exceed the aggregate of all Principal Drawings outstanding on such Interest Payment Date;

(3) Accrued Interest Drawings will be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received during the relevant Collection Period exceed the aggregate of the Scheduled Interest Receipts due in such Collection Period plus the amount of Interest Drawings repayable on such Interest Payment Date, provided however that the amount repayable on any Interest Payment Date will not exceed the aggregate of all Accrued Interest Drawings outstanding on such Interest Payment Date; and

(4) Expenses Drawings will be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received during the relevant Collection Period exceed the aggregate of the Scheduled Interest Receipts due in such Collection Period plus the amount of Interest Drawings repayable on such Interest Payment Date; provided however that the amount repayable on any Interest Payment Date shall not exceed the aggregate of all Expenses Drawings outstanding on such Interest Payment Date.

Not later than the earliest to occur of (i) the date 120 days after the occurrence of any non-payment with respect to the Tranche A Loan if such non-payment remains uncured, (ii) the date 90 days after an order is made or an effective resolution is passed for the winding up of the Borrower or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Borrower or a Property, provided such order, resolution or appointment is still in effect, (iii) the effective date of any modification to the maturity date, interest rate, principal balance, amortisation term or payment frequency of the Loan, other than the extension of the date that a final principal payment is due for a period of less than six months and (iv) the date 30 days following the date the Loan becomes a Specially Serviced Loan, the Special Servicer is required to obtain an appraisal by a member of the Royal Institute of Chartered Surveyors (if the outstanding principal balance of the Tranche A Loan is greater than £5,000,000) or an internal valuation (if the outstanding principal balance of the Tranche A Loan is equal to or less than £5,000,000) of the Properties, unless such an appraisal or valuation had been obtained within the preceding twelve months. As a result of such appraisal or internal valuation, an "**Appraisal Reduction**" may be created, being an amount, calculated as of the first Calculation Date that is at least 15 days after the date on which the appraisal or valuation is obtained or performed, equal to the excess, if any, of (a) the sum of (i) the outstanding principal balance of the Loan, (ii) all unpaid interest on the Loan, (iii) all currently due and unpaid taxes and assessments (net of any amount escrowed for such items), insurance premiums, and, if applicable, ground rents in respect of the relevant Property, over (b) 90 per cent. of the appraised aggregate value of the Properties as determined by such appraisal or valuation. An Appraisal Reduction will be reduced to zero as of the date that the Loan is brought current under the then current terms of the Credit Agreement for at least three consecutive months, paid in full, liquidated, repurchased or otherwise disposed of. The creation of an Appraisal Reduction will proportionately reduce the amount available to be drawn by way of Principal Drawings, Interest Drawings, Accrued Interest Drawings and Expenses Drawings under the Liquidity Facility Agreement.

The Liquidity Facility Agreement may be renewed until the earlier of 25th October, 2011 or such date the principal balance of the Tranche A Loan shall have been reduced to zero. The Liquidity Facility Agreement will provide that if at any time the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider falls below the Requisite Rating, or the Liquidity Facility Provider refuses to renew the Liquidity Facility Agreement, then the Issuer will require the Liquidity Facility Provider to pay into a designated bank account of the Issuer (the "**Stand-by Account**") maintained with an appropriately rated bank an amount (a "**Stand-by Drawing**") equal to its undrawn commitment under the Liquidity Facility Agreement. In the event that the Issuer makes a Stand-by Drawing, the Cash Manager is required, prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments.

"**Eligible Investments**" means (i) sterling denominated government securities or (ii) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); provided

that in all cases such investments will mature at least one business day prior to the next Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed EU credit institution) are rated "F1+" by Fitch, "P-1" by Moody's or "A-1+" by S&P or are otherwise acceptable to the Rating Agencies.

Amounts standing to the credit of the Stand-by Account will be available to the Issuer for drawing in respect of an Interest Drawing, a Principal Drawing, an Accrued Interest Drawing or an Expenses Drawing, as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement.

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any amounts due thereunder which are described in item (xi) of "Summary — Available Funds and their Priority of Application — Payments out of Transaction Account prior to Enforcement of the Notes — Available Interest Receipts") will rank higher in priority to payments of interest and principal on the Notes.

5. Principal Losses

If and to the extent that on any Calculation Date after the occurrence of an event of default under the Loan the amount of principal determined by the Servicer to be outstanding in respect of the Loan (taking into account Borrower Principal Receipts in prior Collection Periods and principal amounts outstanding under the Loan written off by the Servicer following the Borrower's default) is less than the aggregate Principal Amount Outstanding of the Notes on such Calculation Date, a "**Principal Loss**" will have occurred.

On the Interest Payment Date following the occurrence of a Principal Loss, the aggregate Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by an amount equal to the excess of the Principal Loss over the aggregate principal amount of the Class E Notes redeemed pursuant to the Class E mandatory partial redemption provisions set out in Condition 6(*b*) as follows: first, the Principal Amount Outstanding of the Class E Notes will be reduced until the Principal Amount Outstanding of the Class E Notes is zero; second, the Principal Amount Outstanding of the Class D Notes will be reduced until the Principal Amount Outstanding of the Class D Notes is zero; third, the Principal Amount Outstanding of the Class C Notes will be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fourth, the Principal Amount Outstanding of the Class B Notes will be reduced until the Principal Amount Outstanding of the Class B Notes is zero and fifth, the Principal Amount Outstanding of the Class A Notes will be reduced until the Principal Amount Outstanding of the Class A Notes is zero.

6. The Interest Rate Swap Agreement

On or before the Closing Date, the Issuer will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider and the Interest Rate Swap Transaction pursuant thereto (as described below). The obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement will be guaranteed by the Interest Rate Swap Guarantor.

The Issuer will enter into the Interest Rate Swap Transaction, pursuant to the Interest Rate Swap Agreement, with the Interest Rate Swap Provider (the "**Interest Rate Swap Transaction**") in order to protect itself against interest rate risk arising due to a difference in the interest rates applicable to the Tranche A Loan and to the Notes.

Under the terms of the Interest Rate Swap Transaction, the Issuer will pay to the Interest Rate Swap Provider on each Interest Payment Date an amount equal to the excess (if any) of an amount determined by reference to the fixed rate payments payable by the Borrower during the relevant Collection Period ("X") over an amount determined by reference to three-month sterling LIBOR (or, in the case of the first Interest Period, an amount determined by the linear interpolation of one and two month sterling LIBOR) ("Y") and the Interest Rate Swap Provider will pay to the Issuer an amount equal to the excess (if any) of Y over X.

The Interest Rate Swap Transaction may be terminated in accordance with certain termination events and events of default, some of which are more particularly described below.

Subject to the following, the Interest Rate Swap Provider and the Interest Rate Swap Guarantor are obliged only to make payments under the Interest Rate Swap Transaction to the extent that the Issuer makes the corresponding payments thereunder. Furthermore, a failure by the Issuer to make timely payment of amounts due from it under the Interest Rate Swap Transactions will constitute a default thereunder and entitle the Interest Rate Swap Provider to terminate the Interest Rate Swap Transaction.

The Interest Rate Swap Provider will be obliged to make payments under the Interest Rate Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Interest Rate Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required or, if such withholding or deduction is a withholding or deduction which will or would be or become the subject of any tax credit, allowance, set-off, repayment or refund to the Interest Rate Swap Provider, the Issuer shall use all reasonable endeavours to reach agreement to mitigate the incidence of tax on the Interest Rate Swap Provider. The Issuer is similarly obliged to make payments under the Interest Rate Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts and the Interest Rate Swap Provider is similarly obliged to use reasonable endeavours to reach agreement to mitigate the incidence of tax on the Issuer. Such additional amounts will be payable in priority to amounts payable on the Notes.

The Interest Rate Swap Agreement will provide, however, that if due to action taken by a relevant taxing authority or brought in a court of competent jurisdiction or any change in tax law either the Issuer or the Interest Rate Swap Provider will, or there is a substantial likelihood that it will, on the next Interest Payment Date, be required to pay additional amounts in respect of tax under the Interest Rate Swap Agreement or will, or there is a substantial likelihood that it will, receive payment from the other party from which an amount is required to be deducted or withheld for or on account of tax (a "**Tax Event**"), the Interest Rate Swap Provider will use its reasonable efforts to transfer its rights and obligations to another of its offices, branches or affiliates or a suitably rated third party to avoid the relevant Tax Event. If no such transfer can be effected, the Interest Rate Swap Agreement and the Interest Rate Swap Transaction shall be terminated. If the Interest Rate Swap Agreement is terminated and the Issuer is unable to find a replacement swap provider, and the Issuer cannot avoid such Tax Event by taking reasonable measures available to it and the Issuer has certified that it has sufficient funds to discharge all of its liabilities in respect of the Notes and any amounts required under the Deed of Charge and Assignment to be paid in priority to or pari passu with the Notes, then, the Issuer shall redeem all of the Notes in full. Such redemption will be made by the Issuer to the extent of an amount equal to the then aggregate Principal Amount Outstanding of each class of Notes then outstanding plus interest accrued and unpaid thereon. See "Terms and Conditions of the Notes — Condition 6(*d*)". The Interest Rate Swap Agreement will contain certain other limited termination events and events of default which will entitle either party to terminate it. In the event that the Tranche A Loan is repurchased by MSDW Bank pursuant to the Loan Sale Agreement or purchased by the Servicer pursuant to the Servicing Agreement, the Interest Rate Swap Transaction will not be terminated, but the rights and obligations of the Issuer under the Interest Rate Swap Transaction will, in accordance with the terms of the Interest Rate Swap Agreement, be transferred to MSDW Bank or the Servicer, as the case may be.

The Interest Rate Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under the Interest Rate Swap Agreement (including the Interest Rate Swap Transaction) to any third party provided the Rating Agencies have provided written confirmation that such third party's (or its guarantor's) short-term (or long-term, in the case of confirmation by Moody's) unsecured, unsubordinated debt obligations are such that the then applicable ratings of the Notes will not be qualified, downgraded or withdrawn and provided further that such third party agrees to be bound by, *inter alia*, the terms of the Deed of Charge and Assignment, on substantially the same terms as the Interest Rate Swap Provider.

7. Interest Rate Swap Guarantor Downgrade Event

If the rating of the short-term unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falls below "F1" by Fitch or "A-1" by S&P at any time, or the long-term unsecured, unsubordinated debt obligations of the Interest Rate Swap Guarantor falls below "A1" by Moody's at any time, then the Interest Rate Swap Provider is required to comply with the requirements set out in the Interest Rate Swap Agreement, which may require the Interest Rate Swap Provider to transfer to the Issuer collateral (which collateral may be

in the form of cash or securities) in respect of its obligations under the Interest Rate Swap Transaction in an amount or value determined in accordance with the Interest Rate Swap Agreement Credit Support Document.

8. Interest Rate Swap Agreement Credit Support Document

If at any time the Interest Rate Swap Provider is required to provide collateral in respect of any of its obligations under the Interest Rate Swap Agreement, the Interest Rate Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Interest Rate Swap Agreement Credit Support Document, the Interest Rate Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Interest Rate Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Interest Rate Swap Agreement Credit Support Document. References in this Offering Circular to the Interest Rate Swap Agreement Credit Support Document are references to such agreement as and when entered into between the Issuer and the Interest Rate Swap Provider.

Collateral amounts that may be required to be posted by the Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement Credit Support Document may be delivered in the form of cash or securities. Cash amounts will be paid into the Interest Rate Swap Collateral Cash Account and securities will be transferred to the Issuer's Interest Rate Swap Collateral Custody Account. References in this Offering Circular to the Interest Rate Swap Collateral Cash Account and to the Interest Rate Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to and to payments from such accounts as and when opened by the Issuer.

If the Interest Rate Swap Collateral Cash Account and the Interest Rate Swap Collateral Custody Account are opened, amounts equal to any amounts of interest on the credit balance of the Interest Rate Swap Collateral Cash Account, or equivalent to distributions received on securities held in the Interest Rate Swap Collateral Custody Account, are required to be paid to the Interest Rate Swap Provider in accordance with the terms of the Interest Rate Swap Agreement Credit Support Document and the Deed of Charge and Assignment in priority to any other payment obligations of the Issuer, other than to the Trustee and for a receiver following the enforcement of the Notes. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the Interest Rate Swap Agreement Credit Support Document in the form of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) is to return "equivalent securities".

9. Interest Rate Swap Guarantee

The Interest Rate Swap Provider's obligations under the Interest Rate Swap Transaction are guaranteed pursuant to, and subject to the terms of, the Interest Rate Swap Guarantee provided by the Interest Rate Swap Guarantor. In the event that MSCS ceases (other than by virtue of its own default) to be the Interest Rate Swap Provider or it is replaced by a suitably rated third party, MS will cease to be the Interest Rate Swap Guarantor.

10. The FX Swap Agreement

On or before the Closing Date, the Issuer will enter into the FX Swap Transaction with the FX Swap Provider pursuant to the FX Swap Agreement. The FX Swap Transaction to be entered into is a currency swap transaction (the "**FX Swap Transaction**") in order to protect the Issuer against currency risk arising as a result of the Class B Notes being denominated in dollars and consequently principal of and interest on the Class B Notes being payable in dollars and payments on the Tranche A Loan being denominated in sterling. The relevant dollar/sterling exchange rate for all payments under the FX Swap Transaction has been set at £1=U.S.$1.63 (the "**Exchange Rate**").

Under the terms of the FX Swap Transaction, the Issuer will pay to the FX Swap Provider on the Closing Date the net proceeds in dollars received on the issue of the Class B Notes and will receive in exchange an amount in sterling equal to such dollar amount converted into sterling at the Exchange Rate. On each Interest Payment Date the Issuer will pay to the FX Swap Provider an amount in sterling equal to the interest accrued during the Interest Period ending on such Interest Payment Date on the aggregate Principal Amount Outstanding of the Class B Notes for the relevant Interest Period, converted into sterling at the Exchange Rate, at a rate equal to three-month sterling LIBOR (or, in the case of the first Interest Period, an amount determined by the linear interpolation of one and two-month sterling LIBOR) plus the Class B Margin. On each Interest Payment Date the FX Swap Provider will pay to the Issuer an amount in dollars equal to the interest due on the Class B Notes

in respect of the Interest Period ending on such Interest Payment Date. On any day on which any amount of principal is due to be paid by the Issuer in respect of the Class B Notes, the Issuer will pay to the FX Swap Provider an amount in sterling equal to the aggregate principal amount due to be paid on the Class B Notes on such day converted into dollars at the Exchange Rate and the FX Swap Provider shall pay to the Issuer an amount in dollars equal to the aggregate principal amount due to be paid on the Class B Notes. On the final exchange date (being 25th October, 2011 subject to adjustment for non-business days) the Issuer shall pay to the FX Swap Provider an amount in sterling equal the sterling amount paid to it by the FX Swap Provider on the Closing Date less the sum of all interim payments of sterling paid by it to the FX Swap Provider in respect of principal and an amount in sterling equal to the amount by which the aggregate Principal Amount Outstanding of the Class B Notes has been reduced pursuant to Condition 6(e) converted into sterling at the Exchange Rate. On the final exchange date, the FX Swap Provider shall pay to the Issuer an amount in dollars equal to the sterling amount paid by the Issuer to the FX Swap Provider on such day converted into dollars at the Exchange Rate.

In the event that the Issuer is unable to pay the full amount of any payment it is required to pay to the FX Swap Provider on any day, then such failure shall not constitute or give rise to an event of default or termination event and the FX Swap Provider shall pay such proportion of the payment due to be made by it to the Issuer on such day as is equal to the proportion of the amount due to have been paid to the FX Swap Provider as is constituted by the amount it received from the Issuer.

The amount by which any amount paid by the Issuer to the FX Swap Provider on any day is less than the amount that was, but for the preceding sentence, required to have been paid by the Issuer on such day shall constitute an "**Issuer Swap Shortfall Amount**". Each Issuer Shortfall Amount shall accrue interest ("**Issuer Swap Shortfall Interest**") during each Interest Period at a rate equal to three-month sterling LIBOR plus the Class B Margin and shall be payable (together with such accrued Issuer Shortfall Interest) on the next following Interest Payment Date, to the extent that the Issuer has funds available to make such payment. An amount in dollars equal to the Issuer Shortfall Amount converted into dollars at the Exchange Rate shall constitute the "**FX Swap Provider Shortfall Amount**". Each FX Swap Provider Shortfall Amount shall accrue interest ("**FX Swap Provider Shortfall Interest**") during each Interest Period at a rate equal to three-month dollar LIBOR plus the Class B Margin. If on any Interest Payment Date the Issuer pays to the FX Swap Provider any amount in respect of an Issuer Swap Shortfall Amount, the FX Swap Provider shall pay to the Issuer on such day an amount in dollars equal to the sterling payment received by the FX Swap Provider (excluding accrued Issuer Swap Shortfall Interest thereon) converted at the Exchange Rate together with accrued FX Swap Provider Shortfall Interest thereon. These provisions are intended to ensure that in the event that the Issuer does not have sufficient funds to make any payment of interest on any Interest Payment Date and that Condition 16 applies to reduce any payments otherwise due under the Class B Notes on such day, the FX Swap Transaction will enable the Issuer to make the payments in dollars due on the Class B Notes using the sterling amounts available for such purpose.

The FX Swap Transaction is scheduled to terminate on 25th October, 2011 subject to adjustment for non-business days. In addition, the FX Swap Transaction may be terminated in accordance with certain termination events and events of default although, as described above, any failure by the Issuer to pay any amount due under the FX Swap Transaction shall not constitute an event of default or termination event. In the event that the FX Swap Transaction is terminated, the Issuer will still be obliged to pay interest and principal on the Class B Notes.

The FX Swap Agreement will provide that if due to action taken by a relevant taxing authority or brought in a court of competent jurisdiction or any change in tax law either the Issuer or the FX Swap Provider will, or there is a substantial likelihood that it will, on the next Interest Payment Date, be required to pay additional amounts in respect of tax under the FX Swap Agreement or will, or there is a substantial likelihood that it will, receive payment from the other party from which an amount is required to be deducted or withheld for or on account of tax (a "**Tax Event**"), the FX Swap Provider will use its reasonable efforts to transfer its rights and obligations to another of its offices, branches or affiliates or a suitably rated third party to avoid the relevant Tax Event. If no such transfer can be effected, the FX Swap Agreement and the FX Swap Transaction shall be terminated.

If, prior to the delivery of a Note Enforcement Notice, there is an early termination of the FX Swap Transaction, the Issuer will attempt to enter into a Replacement FX Swap Transaction with a Replacement Swap

Provider that would have the effect of preserving for the Issuer the economic equivalent of any payments that would, but for the early termination of the FX Swap Transaction (assuming satisfaction of all applicable conditions precedent), have been required to be paid by the parties to the FX Swap Transaction for the remainder of the term thereof.

The amount payable by the Issuer to the FX Swap Provider upon an early termination of the FX Swap Transaction shall be limited to the amount received from any Replacement FX Swap Provider upon the entry into of a Replacement FX Swap Transaction. In the event that the Replacement FX Swap Provider makes a payment to the Issuer upon the entry into of a Replacement FX Swap Transaction, the Issuer shall apply such payment in making any early termination payment due from it to the FX Swap Provider.

If, following an early termination of the FX Swap Agreement, the Issuer would be required to make any payment to a Replacement FX Swap Provider to enter into a Replacement FX Swap Transaction, the Issuer will use (a) any funds standing to the credit of any FX Swap Cash Collateral Account or the proceeds of liquidation of any securities standing to the credit of the FX Swap Custody Collateral Account and (b) any FX Swap Breakage Receipts, in making the required payment to the Replacement FX Swap Provider Transaction. If the Issuer is unable to enter into a Replacement FX Swap Transaction, the Issuer shall purchase dollars in order to make payments due to the Class B Noteholders at the prevailing spot rate of exchange on the relevant Interest Payment Date using only the amounts in sterling (being in the maximum principal amount of £31,901,840) otherwise available for distribution to the Class B Noteholders. The Class B Noteholders shall have no recourse to the Issuer for such shortfall amounts in the amount of dollars available for such payments.

The FX Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under the FX Swap Agreement (including the FX Swap Transaction) to any third party provided the Rating Agencies have provided written confirmation that such third party's (or its guarantor's) short term (or long-term, in the case of confirmation by Moody's) unsecured, unsubordinated debt obligations are such that the then applicable ratings of the Notes will not be qualified, downgraded or withdrawn and provided further that such third party agrees to be bound by, *inter alia*, the terms of the Deed of Charge and Assignment, on substantially the same terms as the FX Swap Provider.

11. FX Swap Provider Downgrade Event

If the rating of the short-term unsecured, unsubordinated debt obligations of the FX Swap Provider falls below "F1" by Fitch or "A-1+" by S&P at any time, then the FX Swap Provider is required to comply with the requirements set out in the FX Swap Agreement, which may require the FX Swap Provider to transfer to the Issuer collateral (which collateral may be in the form of cash or securities) in respect of its obligations under the Interest Rate Swap Transaction in an amount or value determined in accordance with the FX Swap Agreement Credit Support Document.

12. FX Swap Agreement Credit Support Document

If at any time the FX Swap Provider is required to provide collateral in respect of any of its obligations under the FX Swap Agreement, the FX Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the FX Swap Agreement Credit Support Document, the FX Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the FX Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the FX Swap Agreement Credit Support Document. References in this Offering Circular to the FX Swap Agreement Credit Support Document are references to such agreement as and when entered into between the Issuer and the FX Swap Provider.

Collateral amounts that may be required to be posted by the FX Swap Provider pursuant to the FX Swap Agreement Credit Support Document may be delivered in the form of cash or securities. Cash amounts will be paid into the FX Swap Collateral Cash Account and securities will be transferred to the Issuer's FX Swap Collateral Custody Account. References in this Offering Circular to the FX Swap Collateral Cash Account and to the FX Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to and to payments from such accounts as and when opened by the Issuer.

If the FX Swap Collateral Cash Account and the FX Swap Collateral Custody Account are opened, amounts equal to any amounts of interest on the credit balance of the FX Swap Collateral Cash Account, or equivalent to distributions received on securities held in the FX Swap Collateral Custody Account, are required to be paid to the FX Swap Provider in accordance with the terms of the FX Swap Agreement Credit Support Document and the Deed of Charge and Assignment in priority to any other payment obligations of the Issuer, other than to the Trustee and for a receiver following the enforcement of the Notes. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the FX Swap Agreement Credit Support Document will be to return "equivalent securities".

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted as the actual rate at which the Loan will be repaid or prepaid and a number of other relevant factors are unknown.

Calculations of possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

(a) the Tranche A Loan is not sold by the Issuer;
(b) the Loan does not default, is not prepaid nor is it enforced and no loss arises;
(c) neither of the Swap Agreements will be terminated; and
(d) the Closing Date is 5th June, 2003,

then the approximate percentage of the initial principal amount outstanding of the Notes on each payment date of the Notes and the approximate average lives of the Notes would be as follows:

Payment Date of Notes	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes
	(per cent.)	(per cent.)	(per cent.)	(per cent.)	(per cent.)
Closing Date	100.0	100.0	100.0	100.0	100.0
July, 2003	99.5	100.0	100.0	100.0	100.0
October, 2003	99.0	100.0	100.0	100.0	100.0
January, 2004	98.4	100.0	100.0	100.0	100.0
April, 2004	97.8	100.0	100.0	100.0	100.0
July, 2004	97.1	100.0	100.0	100.0	100.0
October, 2004	96.5	100.0	100.0	100.0	100.0
January, 2005	95.9	100.0	100.0	100.0	100.0
April, 2005	95.2	100.0	100.0	100.0	100.0
July, 2005	94.5	100.0	100.0	100.0	100.0
October, 2005	93.7	100.0	100.0	100.0	100.0
January, 2006	93.0	100.0	100.0	100.0	100.0
April, 2006	92.1	100.0	100.0	100.0	100.0
July, 2006	91.1	100.0	100.0	100.0	100.0
October, 2006	90.2	100.0	100.0	100.0	100.0
January, 2007	89.2	100.0	100.0	100.0	100.0
April, 2007	88.2	100.0	100.0	100.0	100.0
July, 2007	87.3	100.0	100.0	100.0	100.0
October, 2007	86.3	100.0	100.0	100.0	100.0
January, 2008	85.3	100.0	100.0	100.0	100.0
April, 2008	84.3	100.0	100.0	100.0	100.0
July, 2008	83.5	100.0	100.0	100.0	100.0
October, 2008	82.9	100.0	100.0	100.0	100.0
January, 2009	82.4	100.0	100.0	100.0	100.0
April, 2009	81.8	100.0	100.0	100.0	100.0
July, 2009	81.2	100.0	100.0	100.0	100.0
October, 2009	0.0	0.0	0.0	0.0	0.0
Average Life (years)	5.8	6.4	6.4	6.4	6.4
First Principal Payment Date	July, 2003	October, 2009	October, 2009	October, 2009	October, 2009
Last Principal Payment Date	October, 2009	October, 2009	October, 2009	October, 2009	October, 2009

Assumptions (a), (b) and (c) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that any of the estimates above will in fact be realised and they must therefore be viewed with considerable caution.

The day count fraction used for the above was "30/360", being the number of days in the relevant period divided by 360 (the number of days being calculated on the basis of a year of 360 days with twelve 30-day months).

General

Each class of Notes will be represented by a Reg S Global Note and two Rule 144A Global Notes in bearer form (all such Global Notes being herein referred to as the "**Global Notes**"). The Global Notes will be deposited with or to the order of HSBC Bank USA as Depository pursuant to the terms of the Depository Agreement. The Depository will (i) register a certificateless depository interest in respect of one of the Rule 144A Global Notes for each class of Notes in the name of DTC or its nominee, (ii) register a certificated depository interest in respect of the other Rule 144A Global Note for each class of Notes to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc, as common depositary (the "**Common Depositary**") for the account of Euroclear and Clearstream, Luxembourg and (iii) issue a certificated depository interest in respect of each Reg S Global Note to the Common Depositary. All of the certificated and certificateless depository interests ("**CDIs**") will represent a 100 per cent. interest in the underlying Global Note relating thereto. The Depository, acting as agent of the Issuer, will maintain a book entry system in which it will register DTC or its nominee as the owner of the certificateless depository interests referred to in (i) above and the Common Depositary or a nominee of the Common Depositary as owner of the certificated depository interests referred to in (ii) and (iii) above.

Upon confirmation by the Common Depositary that the Depository has custody of the Reg S Global Notes and the Rule 144A Global Notes to be held by the Common Depositary, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Reg S Global Notes and the Rule 144A Global Notes relating thereto.

Upon confirmation by DTC that the Depository has custody of the Rule 144A Global Notes to be held by or on behalf of DTC or its nominee and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representations sent by the Depository and the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Rule 144A Global Notes relating thereto.

For the avoidance of doubt, all references in this section to a "**Book Entry Interest**" in a Global Note are construed as a reference to a Book Entry Interest in the CDI attributable to such Global Note.

Book-Entry Interests in respect of Global Notes (other than in respect of the Class B Notes) will be recorded in original denominations of £50,000 and integral multiples of £100 in excess thereof, and in the case of Class B Notes, U.S.$50,000 and integral multiples of U.S.$100 in excess thereof. Ownership of Book-Entry Interests in respect of Global Notes will be limited to persons that have accounts with DTC, Euroclear or Clearstream, Luxembourg or persons that hold interests in the Book-Entry Interests through participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with DTC, Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect participants will also include persons that hold beneficial interests through such indirect participants. Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective Book-Entry Interests beneficially owned by such participants on each of their respective book-entry registration and transfer systems. The accounts to be credited will be designated by Morgan Stanley & Co. International Limited. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by DTC, Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdiction or otherwise subject to the laws thereof to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Notes underlying the Book Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder for all purposes under the Trust Deed. Except as set forth below under "Issuance of Definitive Notes", participants or indirect participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive bearer or registered form and will not be considered the holders

thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its interest in the relevant Book-Entry Interests to exercise any rights and obligations of a holder of Notes under the Trust Deed (see "Action in Respect of the Global Notes and the Book-Entry Interests" below).

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default (as defined in Condition 10) under the Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Notes are issued in accordance with the Terms and Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear and Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

The CDIs issued in representation of the Reg S Global Notes and the Rule 144A Global Notes held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary or its nominee. The CDIs issued in representation of the Rule 144A Global Notes held by or on behalf of DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through (i) DTC if they are participants in such system, or indirectly through organisations which are participants in such system; Euroclear and Clearstream, Luxembourg are such participants, or (ii) Euroclear and Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. All Book-Entry Interests in the Rule 144A Global Notes held by or on behalf of DTC will be subject to the procedures and requirements of DTC and all Book-Entry Interests in the Rule 144A Global Notes held by the Common Depositary will be subject to the procedures and requirements of Euroclear and Clearstream, Luxembourg.

Purchasers of Book-Entry Interests in a Global Note pursuant to Reg S will hold Book-Entry Interests in the Reg S Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "Transfer and Transfer Restrictions" below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. After the expiration of the Note Distribution Compliance Period (as defined under "Transfer and Transfer Restrictions" below) but not earlier, investors may also hold such Book-Entry Interests through organisations, other than Euroclear or Clearstream, Luxembourg, that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Reg S Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on Global Notes

Payment of principal of and interest on the Global Notes will be made to the Depository as the holder thereof. All such amounts will, subject as provided below, be payable by a paying agent, in pounds sterling or, in the case of the Class B Notes, dollars. Upon receipt of any payment of principal of or interest on a Global Note, the Depository will distribute all such payments to (in the case of the Reg S Global Notes and Rule 144A Global Notes held by the Common Depositary) the nominee for the Common Depositary and (in the case of the Rule 144A Global Notes held by or on behalf of DTC) the nominee for DTC. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

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

DTC is unable to accept payments denominated in pounds sterling in respect of the Global Notes. Accordingly, holders of beneficial interests in Rule 144A Global Notes (other than the Class B Rule 144A Global Note) held through DTC who wish payments to be made to them outside DTC must, in accordance with the Depository Agreement, notify DTC not less than 15 days prior to each Interest Payment Date (i) that they wish to be paid in pounds sterling and (ii) of the relevant bank account details into which such pounds sterling payments are to be made.

If such instructions are not received by DTC, the Exchange Agent will, pursuant to the Exchange Rate Agency Agreement, exchange the relevant pounds sterling amounts for which it has not received contrary instructions from the Depository (acting on the instructions of DTC) into dollars at the highest exchange rate offered for such pounds sterling by three recognised foreign exchange dealers (which may include the Exchange Agent) in New York City chosen by the Exchange Agent and approved by the Issuer, and the relevant Noteholders will receive the dollar equivalent of such pounds sterling payment converted at such exchange rate. In the event that bid quotations for exchange rates are unavailable, the Exchange Agent will, upon notifying the Issuer, cease to have any further responsibility with respect to such payments. In addition, in certain cases, the appointment of the Exchange Agent may be terminated without a successor being appointed. In such cases, Noteholders may experience delays in obtaining payment.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

DTC, Euroclear and Clearstream, Luxembourg have informed the Issuer as follows:

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

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

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

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depositary (in the case of a Reg S Global Note and the Rule 144A Global Note held by Euroclear and Clearstream, Luxembourg) and to the nominee of DTC (in the case of a Rule 144A Global Note held by DTC or its nominee) and, upon a final payment, surrender such Global Note to or to the order of a Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the Book-Entry Interests relating thereto to be redeemed will be made by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as DTC, Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only Book-Entry Interests in the original principal amount of £50,000 and integral multiples of £100 in excess thereof (or, in the case of the Class B Notes, U.S.$50,000 and integral multiples of U.S.$100 in excess thereof) or integral multiples of such original principal amount will be redeemed. Upon any redemption in part, the Depository will cause the relevant Paying Agent to mark down or to cause to be marked down the schedule to such Global Note by the principal amount so redeemed.

Transfer and Transfer Restrictions

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

Each Rule 144A Global Note will bear a legend substantially identical to that appearing in paragraph (3) under "Transfer Restrictions", and no Rule 144A Global Note nor any Book-Entry Interest in such Rule 144A Global Note may be transferred except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class, whether before or after the expiration of the Note Distribution Compliance Period, only upon receipt by the Depository of a written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Reg S or Rule 144 under the Securities Act (if available) and that, if such transfer occurs prior to the expiration of the Note Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Each Reg S Global Note will bear a legend substantially identical to that appearing in paragraph (5) under "Transfer Restrictions". Until and including the 40th day after the later of the commencement of the offering of

the Notes and the closing date for the offering of the Notes (the "**Note Distribution Compliance Period**"), Book-Entry Interests in a Reg S Global Note may be held only through Euroclear or Clearstream, Luxembourg, unless transfer and delivery is made through a Rule 144A Global Note of the same class. Prior to the expiration of the Note Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in a Rule 144A Global Note of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a qualified institutional buyer within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

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

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Global Note will be entitled to receive Definitive Notes representing Notes of the relevant class in registered form in exchange for their respective holdings of Book-Entry Interests only if:

(i) (in the case of CDIs in Reg S Global Notes and Rule 144A Global Notes held by the Common Depositary) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is in existence; or

(ii) (in the case of CDIs in Rule 144A Global Notes held by or on behalf of DTC) DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to the CDIs, or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or

(iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as Depository and a successor Depository previously approved by the Trustee in writing is not appointed by the Issuer within 90 days of such notification; or

(iv) the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream, Luxembourg to the Issuer, following an Event of Default under the Notes; or

(v) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Depository instructs the Registrar based on the instructions of Euroclear or Clearstream, Luxembourg (in the case of Reg S Global Notes and Rule 144A Global Notes held by the Common Depositary) or DTC (in the case of Rule 144A Global Notes held by and on behalf of DTC). It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant Book-Entry Interests. In no event will Definitive Notes be issued in bearer form.

Action in Respect of the Global Notes and the Book Entry Interests

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

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to DTC, Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received in relation to the Issuer, the Global Notes or the Book Entry Interests. All notices regarding the Global Notes will be sent to Euroclear, Clearstream, Luxembourg, DTC and the Depository. In addition (so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require), notices regarding the Notes will be published in a leading newspaper having a general circulation in Ireland, which is expected to be The Irish Times and (for so long as the Notes are admitted to the Official List and the rules of the Irish Stock Exchange require) notices regarding the Notes will be notified to the Company Announcement Office.

Action by Depository

Subject to certain limitations, upon the occurrence of an Event of Default with respect to the Notes while represented by Global Notes the Depository will notify the holders thereof and, if requested in writing by DTC, Euroclear or Clearstream, Luxembourg, as applicable, (acting on the instructions of their respective participants in accordance with their respective procedures) the Depository will take any such action as requested by them, subject to, if required by the Depository, such reasonable security or indemnity from the participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository and Indemnity

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

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Trustee and without the consent of the holders of Book Entry Interests (i) to cure any inconsistency, omission, defect or ambiguity in the Depository Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuer; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act or the U.S. Investment Company Act 1940, as amended; or

(v) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to the holders of Book Entry Interests. Except as set forth above, no amendment that adversely affects the holders of the Book Entry Interests may be made to the Depository Agreement without the consent of the holders of the Book Entry Interests.

Upon the issuance of Definitive Notes, the Depository Agreement will terminate.

Resignation or Removal of Depository

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

Obligation of Depository

The Depository will only be liable to perform such duties as are expressly set out in the Depository Agreement. The Depository Agreement contains provisions relieving the Depository from liability and permitting it to refrain from acting in certain circumstances. The Depository Agreement also contains provisions permitting any entity into which the Depository is merged or converted or with which it is consolidated or any successor in business to the Depository to become the successor depository.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed.

The £194,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2011 (the "**Class A Notes**"), the U.S.$52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2011 (the "**Class B Notes**"), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2011 (the "**Class C Notes**"), the £21,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2011 (the "**Class D Notes**") and the £27,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2011 (the "**Class E Notes**" and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Notes**") (as more fully defined below)) of Hermione (European Loan Conduit No. 14) plc (the "**Issuer**") are constituted by a trust deed dated on or about 5th June, 2003 the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and The Bank of New York (the "**Trustee**", which expression includes its successors or any further or other trustee under the Trust Deed) as trustee for the holders for the time being of the Notes (as defined below). Any reference to a "**class**" of Notes or of Noteholders shall be a reference to any, or all of, the respective Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes or any or all of their respective holders, as the case may be.

The security for the Notes is created pursuant to, and on terms set out in, a deed of charge and assignment dated on or about 5th June, 2003 (the "**Deed of Charge and Assignment**", which expression includes such Deed of Charge and Assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, *inter alios*, the Issuer and the Trustee. By an agency agreement dated on or about 5th June, 2003 (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, *inter alios*, the Issuer, the Trustee, HSBC Bank plc, in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression shall include any other principal paying agent appointed in respect of the Notes), agent bank (the "**Agent Bank**", which expression shall include any other agent bank appointed in respect of the Notes) and HSBC Bank USA as registrar (the "**Registrar**", which expression shall include any other registrar appointed in respect of the Notes) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**" and, together with the Agent Bank and the Registrar, the "**Agents**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Terms and Conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Depository Agreement, the Exchange Rate Agency Agreement and the Definitions Agreement (each as defined below). Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Depository Agreement, the Exchange Rate Agency Agreement and the Definitions Agreement (each as defined herein) are available for inspection by the Noteholders at the London branch address for the time being of the Trustee, being at the date hereof at One Canada Square, 48th Floor, Canary Wharf, London E14 5AL and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the depository agreement dated on or about 5th June, 2003 between the Issuer, the Trustee and HSBC Bank USA, in its capacity as Depository (the "**Depository Agreement**", which expression includes such depository agreement as from time to time so modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified and the "**Depository**", respectively), the exchange rate agency agreement dated on or about 5th June, 2003 between the Issuer, HSBC Bank plc, in its capacity as exchange agent (the "**Exchange Agent**", which expression shall include any other exchange agent appointed in respect of the Notes), the Trustee and the Depository (the "**Exchange Rate Agency Agreement**", which expression includes such exchange rate agency agreement as from time to time so modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified), and

a definitions agreement dated on or about 5th June, 2003 made between, *inter alios*, the Issuer and the Trustee (the "**Definitions Agreement**", which expression includes such definitions agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and the documents referred to in each of them.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on or about 3rd June, 2003.

1. Global Notes

(a) Rule 144A Global Notes

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes initially offered and sold in the United States of America (the "**United States**") to qualified institutional buyers (as defined in Rule 144A ("**Rule 144A**")) under the United States Securities Act of 1933, as amended, (the "**Securities Act**") in reliance on Rule 144A will initially be represented by two separate global notes in bearer form for each class of Note (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will register (i) a certificateless depository interest in respect of one of the Rule 144A Global Notes of each class of Notes in the name of The Depository Trust Corporation ("**DTC**") or its nominee and (ii) a certificated depository interest in respect of the other Rule 144A Global Note of each class of Notes to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc (the "**Common Depositary**") for the account of Euroclear Bank S.A./N.A. (as operator of the Euroclear System) ("**Euroclear**", which term includes any successor operator of the Euroclear System) and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

(b) Reg S Global Notes

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Reg S**") under the Securities Act will initially be represented by a separate global note in bearer form for each class of Note (collectively, the "**Reg S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Reg S Global Notes will each be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will issue a certificated depository interest in respect of each Reg S Global Note to the Common Depositary for the account of Euroclear and Clearstream, Luxembourg.

(c) Form and Title

Each Global Note will be issued in bearer form without coupons or talons.

The Depository or its nominee shall, for so long as it is holder of the Global Notes and, except as otherwise required by law, be treated as its absolute owner for all purposes (including the making of any payments), regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

Ownership of interests in the Rule 144A Global Notes ("**Restricted Book-Entry Interests**") will be limited to persons that have accounts with DTC and/or Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Ownership of interests in the Reg S Global Notes (the "**Unrestricted Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry by DTC, Euroclear and Clearstream, Luxembourg and their participants and in accordance with the provisions of the Depository Agreement.

2. Definitive Notes

(a) Issue of Definitive Notes

A Global Note will be exchanged for definitive Notes of the relevant class in registered form ("**Definitive Notes**") in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 6(*e*)) of the relevant Global Note only if, 40 days or more after the Closing Date, any of the following circumstances apply:

(i) in the case of a Reg S Global Note or a Rule 144A Global Note in respect of which the Depository has issued a certificated depository interest to, or registered a certificateless depository interest in the name of, Euroclear or Clearstream, Luxembourg or the Common Depositary for their account, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is in existence; or

(ii) in the case of a Rule 144A Global Note in respect of which the Depository has registered a certificateless depository interest in the name of DTC or its nominee, DTC has notified the Issuer that it is unwilling or unable to continue as the holder with respect to such certificateless depository interest, or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Securities Exchange Act of 1934 of the United States of America (the "**Exchange Act**") and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or

(iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as depository and a successor to the Depository previously approved by the Trustee in writing is not appointed by the Issuer within 90 days of such notification; or

(iv) the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream, Luxembourg to the Issuer, following an Event of Default (as defined in Condition 10(*a*)); or

(v) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.

If Definitive Notes are issued, the Book-Entry Interests represented by the Reg S Global Note of each class will be exchanged by the Issuer for Definitive Notes ("**Reg S Definitive Notes**") of that class and the Book-Entry Interests represented by each Rule 144A Global Note of each class will be exchanged by the Issuer for Definitive Notes ("**Rule 144A Definitive Notes**") of that class. The aggregate principal amount of the Reg S Definitive Notes and the Rule 144A Definitive Notes of each class will be equal to the Principal Amount Outstanding of the Reg S Global Note or, as the case may be, the Rule 144A Global Notes of the corresponding class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Depository Agreement, the Trust Deed and the relevant Global Note.

(b) Title to and Transfer of Definitive Notes

Title to a Definitive Note will pass upon registration in the register which the Issuer will procure to be kept by the Registrar. A Definitive Note (other than any Class B Note) will have an original principal amount of £50,000 or any integral multiple of £100 in excess thereof, and in respect of the Class B Notes, an original principal amount of U.S.$50,000 or any integral multiple of U.S.$100 in excess thereof, save for Definitive Notes issued in respect of Class B Notes, which have an original principal amount of U.S.$50,000 or any integral multiple of U.S.$100 in excess thereof, and will be serially

numbered. Definitive Notes may be transferred in whole or in part (provided that any partial transfer relates to a Definitive Note in the original principal amount of £50,000 or any integral multiple of £100 in excess thereof upon surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the principal office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set forth in such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of a Definitive Note will, within five Business Days (as defined in Condition 5(*b*)) of receipt at the principal office of the Registrar of such Definitive Note (duly endorsed) for transfer, be available for delivery at the principal office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Note to such address as may be specified in the form of transfer.

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

No transfer of a Definitive Note will be registered in the period beginning fifteen Business Days before, or ending on the fifth Business Day after, each Interest Payment Date (as defined in Condition 5(*b*)).

(c) "**Noteholders**" means (i) in respect of each Global Note, the bearer thereof, and (ii) in respect of a Definitive Note issued under Condition 2(*a*) above, the person in whose name such Definitive Note is registered, subject as provided in Condition 7(*b*); and related expressions are to be construed accordingly.

(d) References to "**Notes**" include the Global Notes and the Definitive Notes.

3. Status, Security and Priority

(A) Status and relationship between the Notes

(a) The Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures each of the Notes. The Notes of each class rank *pari passu* without preference or priority among themselves.

(b) As between the classes of the Notes, in the event of the Issuer Security (as defined in the Definitions Agreement) being enforced, the Class A Notes will rank higher in priority to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; the Class B Notes will rank higher in priority to the Class C Notes, the Class D Notes and the Class E Notes; the Class C Notes will rank higher in priority to the Class D Notes and the Class E Notes; and the Class D Notes will rank higher in priority to the Class E Notes. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class E Notes will be subordinated to payments of principal of and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes; payments of principal of and interest on the Class D Notes will be subordinated to payments of principal of and interest on the Class A Notes, the Class B Notes and the Class C Notes; payments of principal of and interest on the Class C Notes will be subordinated to payments of principal of and interest on the Class A Notes and the Class B Notes; payments of principal of and interest on the Class B Notes will be subordinated to payments of principal of and interest on the Class A Notes.

(c) The Trust Deed and the Deed of Charge and Assignment each contains provisions requiring the Trustee to have regard to the interests of the holders of Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), provided that (except in the case of an Extraordinary Resolution relating to the appointment or termination of the appointment of the Special Servicer, in which case the Controlling Party, as defined in Condition 4(*C*), will prevail):

(i) if, in the Trustee's opinion, there is a conflict between the interests of:

(A) holders of the Class A Notes (the "**Class A Noteholders**") (for so long as the Class A Notes are outstanding (as defined in the Trust Deed)); and

(B) holders of the Class B Notes (the "**Class B Noteholders**") and/or holders of the Class C Notes (the "**Class C Noteholders**") and/or holders of the Class D Notes (the "**Class D Noteholders**") and/or holders of the Class E Notes (the "**Class E Noteholders**"),

then the Trustee shall have regard only to the interests of the Class A Noteholders;

(ii) if, in the Trustee's opinion, there is a conflict between the interests of:

(A) the Class B Noteholders (for so long as the Class B Notes are outstanding); and

(B) the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders,

then the Trustee shall, subject to (i) above, have regard only to the interests of the Class B Noteholders;

(iii) if, in the Trustee's opinion, there is a conflict between the interests of:

(A) the Class C Noteholders (for so long as the Class C Notes are outstanding); and

(B) the Class D Noteholders and/or the Class E Noteholders,

then the Trustee shall, subject to (i) and (ii) above, have regard only to the interests of the Class C Noteholders;

(iv) if, in the Trustee's opinion, there is a conflict between the interests of:

(A) the Class D Noteholders (for so long as any Class D Notes are outstanding); and

(B) the Class E Noteholders,

then the Trustee shall, subject (i), (ii), and (iii) above, have regard only to the interests of the Class D Noteholders.

Except where expressly provided otherwise, so long as any of the Notes remains outstanding, the Trustee is not required to have regard to the interests of any other persons entitled to the benefit of the Issuer Security.

(d) The Trust Deed contains provisions limiting the powers of (i) the Class B Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders, (ii) the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders or the Class B Noteholders, (iii) the Class D Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders and (iv) the Class E Noteholders, *inter alia*, to request or direct the Trustee to take any action or pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders, irrespective of the effect thereof on their interests. Except in certain circumstances, the exercise of their powers by (i) the Class B Noteholders will be binding

on the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, irrespective of the effect thereof on their interests, (ii) the Class C Noteholders will be binding on the Class D Noteholders and the Class E Noteholders, irrespective of the effect thereof on their interests and (iii) the Class D Noteholders will be binding on the Class E Noteholders, irrespective of the effect thereof on their interests.

(B) Security and Priority of Payments

The security in respect of the Notes is set out in the Deed of Charge and Assignment. The Deed of Charge and Assignment also contains provisions regulating the priority of application of the Available Interest Receipts (as defined in the Definitions Agreement) and Available Principal (as defined in the Definitions Agreement) among the persons entitled thereto prior to the service of a Note Enforcement Notice (as defined in Condition 10(*a*)), and of the Available Interest Receipts, the Available Principal and the proceeds of enforcement or realisation of the Issuer Security by the Trustee after the service of a Note Enforcement Notice.

The Issuer Security may be enforced following the service of a Note Enforcement Notice provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes, or (ii) the Trustee is of the opinion, which will be binding on the Noteholders, reached after considering at any time and from time to time the advice, upon which the Trustee will be entitled to rely, of such professional advisers as are selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes, or (iii) the Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Trustee has been indemnified to its satisfaction.

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer, other than any surplus arising on the realisation of or enforcement with respect to any remaining security, will not be available for payment of any shortfall arising therefrom, and any such shortfall will be borne in accordance with the provisions of Condition 16 and the Deed of Charge and Assignment. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished and the Trustee, the Noteholders and the other Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that (i) in the event of an enforcement of the Issuer Security, its right to obtain payment of interest and repayment of principal on the Notes in full is limited to recourse against the assets of the Issuer comprised in the Issuer Security, (ii) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the Deed of Charge and Assignment, and all claims in respect of any shortfall shall be extinguished, and (iii) in the event that a shortfall in the amount available to pay principal of the Notes of any class exists on the Interest Payment Date falling in October 2011 (the "**Final Interest Payment Date**") or on any earlier redemption in full of the Notes or the relevant class of Notes, after payment on the Final Interest Payment Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at such date, the liability of the Issuer to make any payment in respect of such shortfall shall cease and all claims in respect of such shortfall shall be extinguished.

4. Covenants

(A) Restrictions

Save with the prior written consent of the Trustee (which consent shall not be given without the prior resolution of Noteholders, the required majority for such consent being not less than 50.1 per cent. of the Principal Amount Outstanding of Notes then outstanding) or unless otherwise provided in or envisaged by these

Conditions or the Relevant Documents (as defined in the Definitions Agreement), the Issuer shall not, so long as any Note remains outstanding:

(a) Negative Pledge

create or permit to subsist any mortgage standard security, sub-mortgage, sub-standard security, assignment, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation, assignation or other security interest whatsoever over any of its assets, present or future (including any uncalled capital);

(b) Restrictions on Activities

(i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Relevant Documents provide or envisage that the Issuer will engage in;

(ii) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment; or

(iii) amend, supplement or otherwise modify its Memorandum or Articles of Association or other constitutive documents;

(c) Disposal of Assets

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein;

(d) Dividends or Distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Deed of Charge and Assignment;

(e) Borrowings

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Notes, the Interest Rate Swap Transaction (as defined in the Definitions Agreement), the FX Swap Transaction, (as defined in the Definitions Agreement) or the Liquidity Facility Agreement (as defined in the Definitions Agreement) or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

(f) Merger

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

(g) Variation

permit the validity or effectiveness of any of the Relevant Documents, or the priority of the security interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions, the Deed of Charge and Assignment or any of the other Relevant Documents, or permit any party to any of the Relevant Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations or dispose of all or any part of the Issuer Security;

(h) Bank Accounts

have an interest in any bank account other than the Issuer's Accounts (as defined in the Definitions Agreement), unless such account or interest therein is charged to the Trustee on terms acceptable to it;

(i) Assets

own assets other than those representing its share capital, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Relevant Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time; and

(j) VAT

apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Relevant Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies (as defined in Condition 15) has provided written confirmation to the Trustee that the then applicable ratings of each class of Notes then rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

(B) Cash Manager and Servicer

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Transaction Account (as defined in the Definitions Agreement) and any other account of the Issuer from time to time and a servicer. Neither the Cash Manager nor the Servicer (each as defined in the Definitions Agreement) will be permitted to terminate its appointment unless a replacement cash manager or servicer, as the case may be, acceptable to the Issuer and the Trustee has been appointed. The appointment of the Cash Manager and the Servicer may be terminated by the Trustee if, *inter alia*, the Cash Manager or the Servicer, as applicable, defaults in any material respect (in the case of the Servicing Agreement) or in any respect (in the case of the Cash Management Agreement) in the observance and performance of any obligation imposed on it under the Servicing Agreement or the Cash Management Agreement, as applicable, which default is not remedied (i) within ten Business Days, in the case of the Cash Management Agreement, after the earlier of the Cash Manager becoming aware of such default and written notice of such default being served on the Cash Manager by the Trustee (except in respect of a failure by the Cash Manager to make when due a payment required to be made by the Cash Manager on behalf of the Issuer, in which case the appointment of the Cash Manager may be terminated immediately), or (ii) within thirty Business Days, in the case of the Servicing Agreement, after written notice of such default shall have been served on the Servicer by the Issuer or the Trustee.

(C) Special Servicer

In certain circumstances set out in the Servicing Agreement, the Controlling Party may appoint a Special Servicer (as defined in the Definitions Agreement) in respect of the Loan (as defined in the Definitions Agreement). The "**Controlling Party**" shall be the Tranche B Lender (as defined in the Definitions Agreement), provided that the Tranche B Loan (as defined in the Definitions Agreement) has a Principal Amount Outstanding that is not less than 25 per cent. of its Original Principal Amount; if at any time the Tranche B Loan has a Principal Amount Outstanding that is less than 25 per cent. of its Original Principal Amount then the "Controlling Party" will be the holders of the most junior class of Notes outstanding from time to time, which class has a total Principal Amount Outstanding that is not less than 25 per cent. of that class's Original Principal Amount; *provided*, however, that if no class of Notes has a Principal Amount Outstanding that satisfies this requirement, then the "Controlling Party" will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero; and *provided further*,

however, that after the occurrence of an Appraisal Reduction, the "Controlling Party" will be (i) the Tranche B Lender if, after deduction of the amount of such Appraisal Reduction against the Principal Amount Outstanding of the Tranche B Loan (if outstanding), the Tranche B Loan has a Principal Amount Outstanding that is not less than 25 per cent. of its Original Principal Amount, and if the Tranche B Loan has a Principal Amount Outstanding that is less than 25 per cent. of its Original Principal Amount , then (ii) the holders of the most junior class of Notes which would have a positive balance after deduction of the amount of such Appraisal Reduction against the Principal Amount(s) Outstanding of the most junior class(es) of Notes then outstanding (subject to the 25 per cent. requirement described above and to the first proviso). Provided that if the Controlling Party is any class of Noteholders, upon any reduction to 25 per cent. of the original Principal Amount Outstanding under the most junior class of Notes outstanding at any time (whether by reason of the allocation of Applicable Principal Losses, redemption of such Notes or otherwise), the holders of the next most junior class of Notes then outstanding will become the Controlling Party and will be entitled, by an Extraordinary Resolution passed by the holders of such class of Notes, to require the Trustee to terminate the appointment of the person then acting as Special Servicer and to appoint a successor thereto acceptable to the Controlling Party.

(D) Operating Adviser

The Controlling Party may, by an Extraordinary Resolution passed by such Noteholders, appoint an adviser (the "**Operating Adviser**") with whom the Servicer or Special Servicer, as the case may be, will be required to liase in accordance with the Servicing Agreement.

5. Interest

(a) Period of Accrual

Each Note will bear interest on its Principal Amount Outstanding from (and including) 5 June, 2003 (the "**Closing Date**"). Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 15 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

(b) Interest Payment Dates and Interest Periods

Subject to Condition 16(*a*), interest on the Notes is payable quarterly in arrear on the 25th day of January, April, July and October in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each an "**Interest Payment Date**") in respect of the Interest Period ending immediately prior thereto. The first Interest Payment Date in respect of each class of Notes will be the Interest Payment Date falling in July 2003.

In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or, in respect of the payment of the first Interest Amount (as defined in Condition 5*(d)* below), the Closing Date) to (but excluding) the next following Interest Payment Date (or, in respect of the payment of the first Interest Amount, the Interest Payment Date falling in July 2003) and "**Business Day**", in these Conditions (other than Condition 6 and Condition 7), means a day (other than a Saturday or a Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Dublin and New York.

(c) Rate of Interest

Subject, in the case of the Class E Notes, to Condition 5(i) below, the rates of interest payable from time to time in respect of each class of Notes (each a "**Rate of Interest**") will be determined by the Agent Bank on a date which is two London Business Days prior to each Interest Payment Date or, in the case of the first Interest Period, two London Business Days prior to the Closing Date (each an "**Interest Determination Date**"). For the purposes of these Conditions, "**London Business Day**" means a day, other than a Saturday or a Sunday, on which banks are open for general business in the City of London.

Each Rate of Interest for the Interest Period next following the relevant Interest Determination Date shall be the aggregate of:

(i) the Relevant Margin (as defined below); and

(ii) (1) the arithmetic mean of the offered quotations to leading banks (rounded to five decimal places with the mid-point rounded up) for three month sterling deposits (or, in the case of the Class B Notes, three-month dollar deposits) (save, in the case of the first Interest Determination Date, the linear interpolation of one and two-month sterling or dollar deposits, as the case may be), in the London inter-bank market which appear on Telerate Screen Page No. 3750 (the "**Screen Rate**") (rounded to five decimal places with the mid-point rounded up) (or (i) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Trustee) as may replace the Telerate Monitor) at or about 11.00 a.m. (London time) on the relevant Interest Determination Date; or

(2) if the Screen Rate is not then available, the arithmetic mean (rounded to five decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks (as defined in Condition 5*(h)* below) as the rate at which three month sterling deposits in an amount of £10,000,000 (or, in the case of the Class B Notes, three-month dollar deposits in an amount of U.S.$10,000,000) (save, in the case of the first Interest Determination Date, the linear interpolation of one and two-month sterling or dollar deposits, as the case may be) are offered for the same period as that Interest Period by that Reference Bank to leading banks in the London inter-bank market at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. If on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate will be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provide the Agent Bank with such an offered quotation, the Agent Bank will forthwith consult with the Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Trustee suitable for such purpose) and the rate for the Interest Period in question will be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period will be the Screen Rate in effect for the last preceding Interest Period to which sub-paragraph (1) of the foregoing provisions of this sub-paragraph (ii) shall have applied.

For the purposes of these Conditions the "**Relevant Margin**" shall be:

(A) in respect of the Class A Notes, 0.45 per cent. per annum;

(B) in respect of the Class B Notes, 0.45 per cent. per annum;

(C) in respect of the Class C Notes, 0.70 per cent. per annum;

(D) in respect of the Class D Notes, 1.00 per cent. per annum; and

(E) in respect of the Class E Notes, 2.10 per cent. per annum.

There shall be no minimum or maximum Rate of Interest.

(d) Determination of Rates of Interest and Calculation of Interest Amounts for Notes

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date, determine and notify the Issuer, the Trustee, the Cash Manager and the Paying Agents in writing of (i) the Rate of Interest applicable to the Interest Period beginning on and including the immediately succeeding Interest Payment Date (or, in respect of the first Interest Amount, the Closing Date) in respect of the Notes of each class, and (ii) the sterling amount (the "**Interest Amount**") payable, subject to Condition 16(*a*), in respect of such Interest Period in respect of the Notes of each class (such amount in respect of the Class B Notes being the amount payable to the FX Swap Provider). Each Interest Amount in respect of the Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Notes of each class, multiplying such sum by the actual number of days in the relevant Interest Period divided by 365 (or, in the case of the Class B Notes, 360) and rounding the resultant figure downward to the nearest penny (or in the case of the Class B Notes, cent).

(e) Publication of Rates of Interest for the Notes, Interest Amounts and other Notices

As soon as practicable after receiving notification thereof, the Issuer shall cause the Rate of Interest and Interest Amount applicable to the Notes of each class for each Interest Period and the Interest Payment Date in respect thereof to be notified in writing to Irish Stock Exchange Limited (the "**Irish Stock Exchange**") (for so long as the Notes are listed on the Irish Stock Exchange) and shall cause notice thereof to be given to the Noteholders in accordance with Condition 15. The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period for the Notes.

(f) Determination or Calculation by the Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for each class of the Notes in accordance with the foregoing Conditions, the Trustee may (but without any liability accruing to the Trustee as a result) (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above) it shall deem fair and reasonable in all the circumstances and/or (as the case may be) and (ii) calculate the Interest Amount for each class of the Notes in the manner specified in Condition 5*(d)* above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Trustee, the Servicer, the Special Servicer, the Cash Manager, the Paying Agents and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there are, at all times, four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of four major banks in the London interbank market (the "**Reference Banks**") chosen by the Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Trustee to act as such in its place. Any purported resignation by the Agent Bank shall not take effect until a successor so approved by the Trustee has been appointed.

(i) Interest on the Class E Notes

The interest due and payable on the Class E Notes is subject, on any Interest Payment Date, to a maximum amount equal to the lesser of (i) the Interest Amount in respect of such class of Notes, as calculated pursuant to Condition 5(d), and (ii) the amount (the "**Adjusted Interest Amount**") equal to (x) the Available Interest Receipts (as defined in the Definitions Agreement) in respect of such Interest Payment Date (including, for the avoidance of doubt, the amount available for drawing by way of Interest Drawings and Accrued Interest Drawings (each as defined in the Definitions Agreement) under the Liquidity Facility Agreement on such Interest Payment Date) minus (y) the sum of all amounts payable out of Available Interest Receipts on such Interest Payment Date in priority to the payment of interest on such class of Notes in accordance with the Deed of Charge and Assignment. The debt that would otherwise be represented by the amount by which, on any Interest Payment Date, the Interest Amount in respect of the Class E Notes exceeds the Adjusted Interest Amount in respect of such class of Notes, shall be extinguished on such Interest Payment Date, and the affected Noteholders shall have no claim against the Issuer in respect thereof. For the avoidance of doubt, the Adjusted Interest Amount shall only apply to any interest overdue (and any interest due on such overdue interest) on the Class E Notes with respect to any accrued interest payable by the Borrower in connection with any prepayment in part or in full made by the Borrower under the Tranche A Loan.

6. Redemption and Cancellation

(a) Final Redemption

Unless previously redeemed in full and cancelled as provided in this Condition 6, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in October 2011.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in this Condition but without prejudice to Condition 10.

(b) Mandatory Redemption in Part from Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Principal Recovery Funds, Available Release Sum Funds and Available Interest Rate Swap Breakage Receipts

Subject as provided in Conditions *6(c)* and *6(d)* prior to the service of a Note Enforcement Notice and subject as provided below, the Class A Notes or, if no Class A Notes are outstanding, the most senior class of Notes then outstanding shall be subject to mandatory redemption in part on each Interest Payment Date if on the Calculation Date (as defined below) relating thereto there are any Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds Available Principal Recovery Funds, Release Sum Funds or Available Interest Rate Swap Breakage Receipts (each as defined below), after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, and if the amount of such Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Principal Recovery Funds, Release Sum Funds and Available Interest Rate Swap Breakage Receipts, after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, is not less than £1.

The "**Calculation Date**" means the second Business Day prior to the relevant Interest Payment Date save in respect of the Interest Payment Date falling in October 2011 when it means the actual Interest Payment Date in October 2011.

For the purposes of these Conditions:

(A) "**Amortisation Funds**" means the aggregate amount of principal received by or on behalf of the Issuer in respect of the Tranche A Loan (as defined in the Definitions Agreement) other than any Prepayment Redemption Funds, Final Redemption Funds, Interest Rate Swap Breakage Receipts, Principal Recovery Funds or Release Sum Funds (each as defined below) and "**Available Amortisation Funds**" means, in respect of any Calculation Date, the sum of (i) the Amortisation Funds received by or on behalf of the Issuer during the period from (and including) the preceding Calculation Date (or, if applicable, in the case of the first Calculation Date, the period from (and including) the Closing Date to (but excluding) such first Calculation Date) (each a "**Collection Period**"), plus (ii) the aggregate principal amount available for drawing by way of Principal Drawings under the Liquidity Facility Agreement in respect of Scheduled Principal Receipts falling due during the Collection Period ended on such Calculation Date and unpaid, less (iii) the aggregate amount of Amortisation Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts (as defined in the Definitions Agreement) during that Collection Period in accordance with the Deed of Charge and Assignment;

(B) "**Prepayment Redemption Funds**" means (i) the aggregate amount of principal payments received by or on behalf of the Issuer in respect of the Tranche A Loan as a result of any prepayment in part or in full made by the Borrower pursuant to the terms of the Credit Agreement (but excluding any Principal Recovery Funds, any Prepayment Fees and any Release Sum Funds), and (ii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of a repurchase of the Tranche A Loan by MSDW Bank pursuant to the Loan Sale Agreement, (iii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of the purchase of the Loan by the Servicer or the Special Servicer pursuant to the Servicing Agreement, and "**Available Prepayment Redemption Funds**" means, in respect of any Calculation Date, the Prepayment Redemption Funds received by or on behalf of the Issuer during the Collection Period then ended less the aggregate amount of Prepayment Redemption Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts during that Collection Period in accordance with the Deed of Charge and Assignment;

(C) "**Final Redemption Funds**" means the aggregate amount of principal payments received by or on behalf of the Issuer in respect of the Tranche A Loan as a result of the repayment of the Loan upon its scheduled final maturity date, and "**Available Final Redemption Funds**" means, in respect of any Calculation Date, the Final Redemption Funds received by or on behalf of the Issuer during the Collection Period then ended less the aggregate amount of Final Redemption Funds applied by the Issuer in respect of Principal Priority Amounts and Revenue Priority Amounts during that Collection Period in accordance with the Deed of Charge and Assignment;

(D) "**Principal Recovery Funds**" means the aggregate amount of principal payments received or recovered by or on behalf of the Issuer as a result of actions taken in accordance with the enforcement procedures in respect of the Loan and/or the beneficial interest in the Security Trust created over the Related Security (as defined in the Definitions Agreement), and "**Available Principal Recovery Funds**" means, in respect of any Calculation Date, the Principal Recovery Funds received or recovered by or on behalf of the Issuer during the Collection Period then ended less (i) the aggregate amount of Principal Recovery Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts during that Collection Period in accordance with the Deed of Charge and Assignment and (ii) any amount to be transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purpose of paying Liquidation Fees, if any, payable on that Interest Payment Date;

(E) "**Release Sum Funds**" means the aggregate amount of the principal payments received by or on behalf of the Issuer in respect of any prepayment (including whilst the Loan is in default, but excluding any Principal Recovery Funds) should the Borrower, pursuant to the Credit Agreement,

sell or dispose of any Property (as defined in the Definitions Agreement) for a premium equal to its full open market value whereupon it is required to pay an amount equal to 115 per cent. of the amount initially lent against that Property together with an amount calculated by the Security Trustee as related losses and expenses (but excluding any prepayment fees received in connection therewith) (each a "**Release Sum**") and "**Available Release Sum Funds**" means, in respect of any Calculation Date, the Release Sum Funds received by or on behalf of the Issuer in respect of the Tranche A Loan during the Collection Period then ended less the aggregate amount of Release Sum Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts during that Collection Period in accordance with the Deed of Charge and Assignment; and

(F) "**Interest Rate Swap Breakage Receipts**", means the aggregate of all amounts paid to the Issuer under the Interest Rate Swap Agreement (as defined in the Definitions Agreement) as a result of the termination thereof, and "**Available Interest Rate Swap Breakage Receipts**" means, in respect of any Calculation Date, the Interest Rate Swap Breakage Receipts received by or on behalf of the Issuer during the Collection Period then ended (but excluding (i) any Interest Rate Swap Breakage Receipts paid to the Issuer following an early termination of the Interest Rate Swap Agreement as a result of an event of default where the Interest Rate Swap Provider was the Defaulting Party (as defined in the Interest Rate Swap Agreement) or (ii) any Interest Rate Swap Breakage Receipts paid to the Issuer following any default under the Loan);

but, in each case, only to the extent that such monies have not been taken into account in the calculation of Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Interest Rate Swap Breakage Receipts, Available Principal Recovery Funds or Available Release Sum Funds, as applicable, on any preceding Calculation Date.

"**Release Sum Sequential Available Funds**" means on each Calculation Date whilst there is no default subsisting under the Loan, (i) when the aggregate Principal Amount Outstanding of all classes of Notes is greater than 50 per cent. of the aggregate Original Principal Amount (as defined in Condition 6(*b*)) of all classes of Notes, an amount equal to (A) the product of 15 over 115, multiplied by (B) any Available Release Sum Funds, or (ii) when the aggregate Principal Amount Outstanding of all classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to 100 per cent. of any Available Release Sum Funds.

"**Release Sum Pro Rata Available Funds**" means on each Calculation Date whilst there is no default subsisting under the Loan, on (i) when the aggregate Principal Amount Outstanding of all classes of Notes is greater than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to the product of 100 over 115, multiplied by any Available Release Sum Funds or (ii) when the aggregate Principal Amount Outstanding of all classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes, an amount equal to 0 per cent. of any Available Release Sum Funds. For the avoidance of doubt, on the Interest Payment Date on which the application of any Release Sum Pro Rata Available Funds would cause the aggregate Principal Amount Outstanding of all classes of Notes to be equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes after application of such amounts, the aggregate Release Sum Pro Rata Available Funds shall not exceed the amount required to cause the aggregate Principal Amount Outstanding of all classes of Notes to be equal to or less than 50 per cent. of the aggregate Original Principal Amount of all classes of Notes after application of such amounts.

The sum of the Release Sum Sequential Available Funds of any Available Release Sum Funds and of any Available Prepayment Redemption Funds is collectively referred to as the "**Release Sum Sequential Available Principal**" for the purposes of the Interest Payment Date immediately following such Calculation Date and in respect of the Tranche A Loan. The sum of the Release Sum Pro Rata Available Funds of any Available Release Sum Funds and of any Available Prepayment Redemption Funds is collectively referred to as the "**Release Sum Pro Rata Available Principal**" (and, together with the Release Sum Sequential Available Principal, the "**Release Sum Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date and in respect of the Tranche A Loan. If at any time there is a default subsisting under the Loan, but prior to the service

of a Note Enforcement Notice, all Available Release Sum Funds shall be Sequential Available Principal (as defined below).

The sum of any Available Amortisation Funds, Available Principal Recovery Funds, Available Interest Rate Swap Breakage Receipts, Available Final Redemption Funds and Available Release Sum Funds not comprising Release Sum Available Principal, as calculated on each Calculation Date, is collectively referred to as the "**Sequential Available Principal**" (and, together with the Release Sum Available Principal, the "**Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date.

I. Application of Release Sum Available Principal

On each Interest Payment Date and prior to the service of a Note Enforcement Notice, any Release Sum Available Principal will be applied from the Transaction Account, all as more fully set out in the Deed of Charge and Assignment, as follows:

(i) Release Sum Sequential Available Principal will be applied (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), in the following order of priority:

(A) in repaying principal on the Class A Notes until all of the Class A Notes have been redeemed in full;

(B) in paying or discharging amounts due to the FX Swap Provider under the FX Swap Transaction (to enable payments to be made pursuant to the Class B Notes) in respect of Release Sum Sequential Available Principal until all of the Class B Notes have been redeemed in full;

(C) in repaying principal on the Class C Notes until all of the Class C Notes have been redeemed in full;

(D) in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full; and

(E) in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full.

(ii) Release Sum Pro Rata Available Principal will be applied in repaying, *pari passu* and *pro rata*, principal on the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, in proportion to the Principal Amount Outstanding of each such Class after application of the Release Sum Sequential Available Principal, until the earlier of (x) redemption of such Class(es) of Notes in full or (y) the aggregate Principal Amount Outstanding of all Classes of Notes is equal to or less than 50 per cent. of the aggregate Original Principal Amount of all Classes of Notes, *provided*, that all amounts to be paid to the holders of the Class B Notes pursuant to this priority shall be paid to the holders of the Class A Notes instead, until the Class A Notes have been redeemed in full (or until the occurrence of (x) or (y) above); after the Class A Notes have been redeemed in full, any payments to the Class B Notes shall be paid to the holders of the Class B Notes, subject to (x) and (y) above.

II. Application of Sequential Available Principal

Following application of the Release Sum Available Principal as set forth immediately above, the Sequential Available Principal will be applied from the Transaction Account in the following order of priority (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge and Assignment:

(i) first, in repaying or paying any amounts due or overdue in respect of the repayment of any Principal Drawings then outstanding, under and in accordance with the Liquidity Facility Agreement;

(ii) secondly, in repaying principal on the Class A Notes until all of the Class A Notes have been redeemed in full;

(iii) thirdly, in paying or discharging amounts due to the FX Swap Provider under the FX Swap Transaction (to enable payments to be made pursuant to the Class B Notes) in respect of Sequential Available Principal, until all of the Class B Notes have been redeemed in full;

(iv) fourthly, in repaying principal on the Class C Notes until all of the Class C Notes have been redeemed in full;

(v) fifthly, in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full; and

(vi) sixthly, in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full.

Any excess Available Principal remaining after application of the Release Sum Available Principal and Sequential Available Principal as set forth above, shall be applied from the Transaction Account in the following order of priority:

(i) first, in paying that component of the Deferred Consideration, if any, that comprises any excess Available Principal; and

(ii) secondly, any surplus to the Issuer.

However, if on any Calculation Date the Trustee receives written confirmation from the Rating Agencies that the then applicable ratings of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not be qualified, downgraded or withdrawn thereby, the Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Interest Rate Swap Breakage Receipts, Available Principal Recovery Funds and Available Release Sum Funds may, at the option of the Issuer, be applied on any Interest Payment Date to redeem in whole or in part the Principal Amount Outstanding of any other class or classes of Notes that would not otherwise be entitled to redemption on such Interest Payment Date.

The "**Original Principal Amount**" of a Note of any class or any Tranche (as defined in the Definitions Agreement) shall be the nominal amount thereof on the date of issuance or creation (as applicable) thereof.

(c) Mandatory Redemption for Tax or Other Reasons

If the Issuer at any time satisfies the Trustee immediately prior to giving the notice referred to below that either (i) by virtue of a change in the tax law of the United Kingdom or any other jurisdiction (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Interest Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of Notes) (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it, or (ii) by virtue of a change in law from that in effect on the Closing Date, any amount payable by the Borrower in relation to the Loan is reduced or ceases to be receivable (whether or not actually received) by the Issuer during the Interest Period preceding the next Interest Payment Date and, in either case, the Issuer has, prior to giving the notice referred to

below, certified to the Trustee that it either (x) will have the necessary funds on such Interest Payment Date to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(*c*) and any amounts required under the Deed of Charge and Assignment to be paid in priority to, or *pari passu* with, the Notes to be so redeemed or (y) will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the lowest class of Notes then outstanding, and that the Issuer has the written consent of the Trustee and all of the Noteholders of such lowest class of Notes to the redemption at such lower amount, which certificate shall be conclusive and binding, and provided that, on the Interest Payment Date on which such notice expires, no Note Enforcement Notice has been served, then the Issuer shall be obliged to, on any Interest Payment Date on which the relevant event described above is continuing, having given not more than 60 nor less than 30 days' written notice ending on such Interest Payment Date to the Trustee, the Paying Agents and to the Noteholders in accordance with Condition 15, redeem:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon; and

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon; and

(E) all Class E Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class E Notes plus interest accrued and unpaid thereon.

After giving notice of redemption pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes and no further reduction shall be made to the Principal Amount Outstanding of any Note other than by way of redemption pursuant to this Condition 6*(c)*. Once redeemed to the full extent provided in this Condition 6*(c)*, the Notes shall cease to bear interest.

(d) Mandatory Redemption in Full — Interest Rate Swap Transaction

If, at any time, the Interest Rate Swap Transaction is terminated by reason of the occurrence of a Tax Event (as defined below) under the Interest Rate Swap Agreement (as defined in the Definitions Agreement) and the Issuer (i) cannot avoid such Tax Event by taking reasonable measures available to it and (ii) is unable to find a replacement swap provider (the Issuer being obliged to use its best endeavours to find a replacement swap provider) then, on giving not more than 60 nor less than 30 days' written notice to the Trustee and to the Noteholders in accordance with Condition 15 and provided that, on the Interest Payment Date on which such notice expires, no Note Enforcement Notice in relation to the Notes has been served and further provided that the Issuer has, prior to giving such notice, certified to the Trustee that it either (x) will have the necessary funds to discharge on such Interest Payment Date all of its liabilities in respect of the Notes to be redeemed under this Condition 6(*d*) and any amounts required under the Deed of Charge and Assignment to be paid on such Interest Payment Date which rank higher in priority to, or *pari passu* with, the Notes, or (y) will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the lowest class of Notes then outstanding, and that the Issuer has the written consent of the Trustee and all of all the Noteholders of such lowest class of Notes to the redemption at such lower amount which certificate will be conclusive and binding, the Issuer shall be obliged to redeem on such Interest Payment Date:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon;

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon; and

(E) all Class E Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class E Notes plus interest accrued and unpaid thereon.

After giving notice of redemption pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes and no further reduction shall be made to the Principal Amount Outstanding of any Note other than by way of redemption pursuant to this Condition 6(*d*). Once redeemed to the full extent provided in this sub-paragraph, the Notes shall cease to bear interest.

For these purposes, a "**Tax Event**" means:

(i) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to a party to the Interest Rate Swap Agreement); or

(ii) the enactment, promulgation, execution or ratification of, or change in or amendment to, any law (or in the application or interpretation of any law),

as a result of which, on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any government or taxing authority, either the Issuer or the Interest Rate Swap Provider (as defined in the Definitions Agreement) will, or there is a substantial likelihood that it will, be required to pay additional amounts or make an advance in respect of tax under the Interest Rate Swap Agreement or the Interest Rate Swap Provider will, or there is a substantial likelihood that it will, receive a payment from the Issuer from which an amount is required to be deducted or withheld for or on account of tax and no additional amount or advance is able to be paid by the Issuer.

(e) Note Principal Payments, Principal Amount Outstanding and Pool Factor

The principal amount (if any) to be redeemed in respect of each Note (the "**Note Principal Payment**") on any Interest Payment Date under Condition 6*(b)* or Condition 6*(c)* or Condition 6(*d*), as applicable, will, in relation to the Notes of a particular class, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Notes of that class on such Interest Payment Date under Condition 6*(b)* or Condition 6*(c)* or Condition 6*(d)*, as applicable, (rounded down to the nearest penny) provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Calculation Date, the Cash Manager shall determine (i) the amount of any Note Principal Payment (if any) due on the next following Interest Payment Date, (ii) the Principal Amount Outstanding of each Note on the next following Interest Payment Date (after deducting any Note Principal Payment to be paid on that Interest Payment Date) and (iii) the fraction expressed as a decimal to the sixth place (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding (after deducting any Note Principal Payment to be paid on that Interest Payment Date) of a Note of the relevant class (calculated on the assumption that the face amount of such Note on the date of issuance thereof was £50,000, or, in the case of the Class B Notes, U.S.$50,000) and the denominator is 50,000. Each determination by the Cash Manager of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "**Principal Amount Outstanding**" of a Note of any class or of any Tranche on any date shall be the nominal amount thereof on the date of issuance thereof less (a) in the case of a Note, the aggregate amount of all Note Principal Payments in respect of such Note that have been paid since the Closing Date and on or prior to the date of calculation, and in the case of any Tranche, the aggregate of all

principal payments in respect of such Tranche that have been paid since 3rd June, 2003 and on or prior to the date of calculation and (b) in the case of any Note, the aggregate amount of all Applicable Principal Losses in respect of such Note that have arisen since the Closing Date and on or prior to the date of calculation. For the purposes of these Conditions, "**Applicable Principal Losses**" means on any Interest Payment Date, in relation to the Notes of a particular class, a *pro rata* share of the amount equal to the aggregate amount of Principal Losses required to be applied to the Notes of that class on such Interest Payment Date in accordance with the following sentence (rounded down to the nearest penny or cent, as the case may be). On the Interest Payment Date following the occurrence of a Principal Loss in respect of the Loan, the Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by an amount equal to the excess of the Principal Loss over the aggregate principal amount of the Class E Notes redeemed pursuant to the Class E mandatory partial redemption provisions set out in Condition 6(*b*) as follows: first, the Principal Amount Outstanding of the Class E Notes shall be reduced until the Principal Amount Outstanding of the Class E Notes is zero; second, the Principal Amount Outstanding of the Class D Notes shall be reduced until the Principal Amount Outstanding of the Class D Notes is zero; third, the Principal Amount Outstanding of the Class C Notes shall be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fourth, the Principal Amount Outstanding of the Class B Notes shall be reduced until the Principal Amount Outstanding of the Class B Notes is zero and fifth, the Principal Amount Outstanding of the Class A Notes shall be reduced until the Principal Amount Outstanding of the Class A Notes is zero. Unless otherwise expressly stated in any notice issued under or pursuant to these Conditions, all calculations in respect of the Principal Amount Outstanding of a Note shall be made on the assumption that the face amount of such Note on the date of issuance thereof was £50,000, or, in the case of the Class B Notes, U.S.$50,000.

The Issuer (or the Cash Manager on its behalf) will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified in writing forthwith to the Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding of any Class or Classes of Notes and Pool Factor to be given to the Noteholders in accordance with Condition 15 as soon as reasonably practicable.

If the Issuer or the Cash Manager on behalf of the Issuer does not at any time for any reason determine a Note Principal Payment, the Principal Amount Outstanding of any Class or Classes of Notes or the Pool Factor in accordance with the preceding provisions of this Condition 6*(e)*), such Note Principal Payment, Principal Amount Outstanding of any Class or Classes of Notes and Pool Factor may be determined by the Trustee (but without any liability accruing to the Trustee as a result) in accordance with this Condition 6*(e)*, and each such determination or calculation will be binding and will be deemed to have been made by the Issuer or the Cash Manager, as the case may be.

(f) Notice of Redemption

Any such notice as is referred to in Condition 6*(c)*, *(d)* or *(e)* above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant class in the amounts specified in these Conditions.

(g) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions shall be cancelled forthwith and may not be resold or re-issued.

7. Payments

(a) Global Notes

Payments of principal and interest in respect of any Global Note will be made only against presentation (and, in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other

payment of principal due in respect of such Global Note), surrender) of such Global Note at the specified office of any Paying Agent. A record of each payment so made, distinguishing, in the case of Global Notes, between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Payments in respect of the Rule 144A Global Notes will be paid (i) in sterling or, in the case of the Class B Rule 144A Global Notes, dollars to holders of interests in such Notes who hold such interests through Euroclear and/or Clearstream, Luxembourg (the "**Rule 144A Euroclear/Clearstream Holders**"), and (ii) subject to the provisions below, in U.S. dollars to holders of interests in such Notes who hold such interests through DTC (the "**DTC Holders**"). Payments in respect of the Reg S Global Notes will be paid in sterling or, in the case of the Class B 144A Global Notes, dollars to holders of interests in such Notes (such holders being, together with the Rule 144A Euroclear/Clearstream Holders, the "**Euroclear/Clearstream Holders**").

At present, DTC can only accept payments in U.S. dollars. As a result, DTC Holders will receive payments in U.S. dollars as described above unless they elect, in accordance with DTC's customary procedures, to receive payments in sterling. Such an ability to elect to receive payments in sterling will not be available to DTC Holders in respect of the Class B Notes.

A Euroclear/Clearstream Holder may receive payments in respect of its interest in any Global Notes in U.S. dollars in accordance with Euroclear's and Clearstream, Luxembourg's customary procedures. All costs of conversion from any such election will be borne by such Euroclear/Clearstream Holder.

(b) Definitive Notes

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note, in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Note)) in respect of Definitive Notes will be made by sterling cheque drawn on a branch of a bank in London (or, in the case of the Class B Notes, a dollar cheque drawn on a branch of a bank in New York City) posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, paid. For the purposes of this Condition 7, the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the fifteenth day before the due date for such payment (the "**Record Date**").

Upon application by the holder of a Definitive Note to the principal office of the Registrar not later than the Record Date for payment in respect of such Definitive Note, such payment will be made by transfer to a sterling account maintained by the payee with a branch of a bank in London (or, in the case of the Class B Notes, by transfer to a dollar account maintained by the payee with a branch of a bank in New York City). Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) Laws and Regulations

Payments of principal, interest and premium (if any) in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) Overdue Principal Payments

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note or part thereof in accordance with

Condition 5*(a)* will be paid against presentation of such Note at the specified office of any Paying Agent, and in the case of any Definitive Note, will be paid in accordance with Condition 7*(b)*.

(e) Change of Agents

The Principal Paying Agent is HSBC Bank plc at its specified offices at Mariner House, Pepys Street, London EC3N 4DA. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain a Paying Agent with a principal office in, for so long as the Notes are listed on the Irish Stock Exchange, Dublin. The Issuer shall cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified or principal offices, as the case may be, to be given to the Noteholders in accordance with Condition 15.

(f) Presentation on Non-Business Days

If any Note is presented (if required) for payment on a day which is not a business day in the place where it is so presented and (in the case of payment by transfer to an account as referred to in Condition 7*(b)* above) in London or New York City, as the case may be, payment will be made on the next succeeding day that is a business day and no further payments of additional amounts by way of interest, principal or otherwise will be due in respect of such Note. No further payments of additional amounts by way of interest, principal or otherwise will be payable in respect of the late arrival of any cheque posted to a Noteholder in accordance with the provisions of Condition 7*(b)*. For the purposes of Condition 6 and this Condition 7, "**business day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

(g) Accrual of Interest on Late Payments

If interest is not paid in respect of a Note of any class on the date when due and payable (other than by reason of non-compliance with Condition 7*(a)* or *(b)*), then such unpaid interest shall itself bear interest at the applicable Rate of Interest until such interest and interest thereon is available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 15, provided that such interest and interest thereon are, in fact, paid.

(h) Redenomination in Euro

(i) If at any time there is a change in the currency of the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Notes outstanding at the time of any such change and which are expressed in sterling will be translated into, and/or any amount becoming payable under the Notes thereafter as specified in these Conditions will be paid in, the currency or currency unit of the United Kingdom, and in the manner designated by the Principal Paying Agent.

Any such translation will be made at the official rate of exchange recognised for that purpose by the Bank of England.

(ii) Where such a change in currency occurs, the Global Notes in respect of the Notes then outstanding and these Conditions will be amended in the manner agreed by the Issuer and the Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Trustee and the Noteholders in the same position each would have been in had no change in currency occurred (such amendments to include, without limitation, changes required to reflect any modification to business day or other conventions arising in connection with such change in currency). All amendments made pursuant to this Condition 7*(h)* will be binding upon holders of such Notes.

(iii) Notification of the amendments made to Notes pursuant to this Condition 7*(h)* will be made to the Noteholders in accordance with Condition 15 which will state, *inter alia*, the date on which such amendments are to take or took effect, as the case may be.

8. Taxation

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

9. Prescription

Claims for principal in respect of Global Notes will become void unless the relevant Global Notes are presented for payment within ten years of the appropriate relevant date. Claims for interest in respect of Global Notes will become void unless the relevant Global Notes are presented for payment within five years of the appropriate relevant date.

Claims for principal and interest in respect of Definitive Notes will become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date.

In this Condition 9, the "**relevant date**" means the date on which a payment in respect thereof first becomes due, but if the full amount of the monies payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such monies shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 15.

10. Events of Default

(a) Eligible Noteholders

If any of the events mentioned in sub-paragraphs (i) to (v) inclusive below occurs (each such event being an "**Event of Default**") the Trustee may, and if so requested in writing by the "**Eligible Noteholders**", being:

(1) the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding; or

(2) if there are no Class A Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class B Notes then outstanding; or

(3) if there are no Class A Notes and Class B Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class C Notes then outstanding; or

(4) if there are no Class A Notes, Class B Notes and Class C Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class D Notes then outstanding; or

(5) if there are no Class A Notes, Class B Notes, Class C Notes and Class D Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class E Notes then outstanding;

or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders, shall, and in any case aforesaid, subject to the Trustee being indemnified and/or secured to its satisfaction, give notice (a "**Note Enforcement Notice**") to the Issuer declaring all the Notes to be due and repayable and the Issuer Security enforceable:

(i) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of interest on, any Class A Note; or if there are no Class A Notes outstanding, any Class B Note; or, if there are no Class B Notes outstanding, any Class C Note; or, if there are no Class C Notes outstanding, any Class D Note; or, if there are no Class D Notes outstanding, any Class E Note, in each case when and as the same becomes due and payable in accordance with these Conditions; or

(ii) default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Notes of any class, the Trust Deed, the Deed of Charge and Assignment or the other Relevant Documents to which it is party and, in any such case (except where the Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10*(a)*(iv) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts within the meaning of Section 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended from time to time); or

(iv) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Eligible Noteholders; or

(v) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer takes possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process is levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

provided that, in the case of each of the events described in Condition 10*(a)*(ii), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders.

(b) Effect of Note Enforcement Notice

Upon the giving of a Note Enforcement Notice by the Trustee in accordance with Condition 10*(a)* above, all the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and the Issuer Security shall become enforceable, all in accordance with the Trust Deed and the Deed of Charge and Assignment.

11. Enforcement

Subject to the provisions of Condition 16, the Trustee may, without notice, take such proceedings against the Issuer or any other person as are appropriate to enforce the provisions of the Notes and the Relevant Documents and may, at any time after the Issuer Security has become enforceable, without notice, take possession of the Issuer Security or any part thereof and may in its discretion sell, call in, collect and convert

into money the Issuer Security or any part thereof in such manner and upon such terms as the Trustee may think fit to enforce the Issuer Security, but it will not be bound to take any such proceedings or steps unless:

(*a*) subject to the proviso below, it is directed to do so by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, as applicable, then outstanding; and

(*b*) it shall be indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all liabilities, losses, costs, charges, damages and expenses (including any VAT thereon) which it may incur by so doing,

PROVIDED THAT:

(i) the Trustee shall not be bound to act at the direction of the Class B Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the interests of the Class A Noteholders or the Trustee has been directed to take such action by an Extraordinary Resolution of the Class A Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding;

(ii) the Trustee shall not be bound to act at the direction of the Class C Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders or the Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders and the Class B Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes and the Class B Notes then outstanding;

(iii) the Trustee shall not be bound to act at the direction of the Class D Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or the Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes and the Class C Notes then outstanding; and

(iv) the Trustee shall not be bound to act at the direction of the Class E Noteholders unless to do so would not in the opinion of the Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or the Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes then outstanding.

Enforcement of the Issuer Security will be the only remedy available to the Trustee and the Noteholders for the repayment of the Notes and any interest thereon. No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Relevant Documents or to enforce the Issuer Security unless the Trustee, having become bound to do so, fails to do so within 90 days from the date it becomes so bound and such failure shall be continuing; provided that no Class B Noteholder (for so long as there is any Class A Note outstanding), no Class C Noteholder (for so long as there is any Class A Note or Class B Note outstanding), no Class D Noteholder (for so long as there is any Class A Note, Class B Note or Class C Note outstanding) and no Class E Noteholder (for so long as there is any Class A Note, Class B Note, Class C Note or Class D Note outstanding) will be entitled to take such action. No Noteholder will be entitled to take proceedings for the winding up or administration of the Issuer.

The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Secured Party under (and as defined in) the Deed of Charge and Assignment.

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes (if any), the other assets (if any) of the Issuer, other than any surplus arising on the realisation of or enforcement with respect to any remaining security, will not be available for payment of any shortfall arising therefrom (which shall be borne in accordance with the provisions of the Deed of Charge and Assignment). All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, shall be extinguished and the Trustee, the Noteholders and the other Secured Parties shall have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that, in the event of an enforcement of the Issuer Security, (i) its right to obtain repayment in full is limited to recourse against the assets of the Issuer comprised in the Issuer Security and (ii) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the Deed of Charge and Assignment, and all claims in respect of any shortfall shall be extinguished.

12. Meetings of Noteholders, Modification and Waiver

(*a*) The Trust Deed contains provisions for convening meetings of the Noteholders of any class to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of, *inter alia*, the removal of the Trustee, a modification of the Notes (including these Conditions) or the provisions of any of the Relevant Documents.

(*b*) An Extraordinary Resolution passed at any meeting of the Class A Noteholders will be binding on all Class B Noteholders, Class C Noteholders, Class D Noteholders and Class E Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Relevant Documents, which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, or it will not, in the opinion of the Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders. The term "**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders or relevant class of Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes given on such poll.

(*c*) An Extraordinary Resolution passed at any meeting of Class B Noteholders (other than as referred to in Condition 12(*b*)) shall not be effective for any purpose unless either:

(i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders will be binding on all Class C Noteholders, Class D Noteholders and Class E Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Relevant Documents which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or it will not, in the opinion of the Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

(d) An Extraordinary Resolution passed at any meeting of Class C Noteholders (other than as referred to in Conditions 12(*b*) or 12 (*c*)) will not be effective for any purpose unless either:

(i) the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders will be binding on all Class D Noteholders and Class E Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Relevant Documents which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders and the Class E Noteholders or it will not, in the opinion of the Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class D Noteholders and the Class E Noteholders.

(*e*) An Extraordinary Resolution passed at any meeting of the Class D Noteholders (other than as referred to in Conditions 12(*b*), 12(*c*) or 12(*d*)) shall not be effective for any purpose unless either:

(i) the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders will be binding on all Class E Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Relevant Documents, which will not take effect unless it has been sanctioned by an Extraordinary Resolution of the Class E Noteholders, or it will not, in the opinion of the Trustee in its sole discretion, be materially prejudicial to the interests of the Class E Noteholders.

(*f*) An Extraordinary Resolution passed at any meeting of the Class E Noteholders (other than as referred to in Conditions 12(*b*), 12(*c*), 12(*d*) or 12(e)) shall not be effective for any purpose unless either:

(i) the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

(*g*) Subject as provided below, the quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. in Principal Amount Outstanding of the Notes of such class or, at any adjourned meeting, two or more persons being or representing Noteholders of such class whatever the Principal Amount Outstanding of the Notes of such class so held or represented. For so long as all the Notes (whether being Definitive Notes or represented by a Global Note) of a class are held by one person, such person will constitute two persons for the purposes of forming a quorum for meetings. Furthermore, a proxy for the holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders.

The quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution in respect of a Basic Terms Modification (as defined in the Trust Deed) will be two or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, 33 1/3 per cent. in Principal Amount Outstanding of the Notes of such class for the time being outstanding.

The majority required for an Extraordinary Resolution shall be not less than 75 per cent. of the votes cast on the resolution. An Extraordinary Resolution passed at any meeting of Noteholders of any class shall be binding on all Noteholders of such class whether or not they are present at such meeting.

(h) The Trustee may agree, without the consent of the holders of Notes of any class, (i) to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Relevant Documents which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or (ii) to any modification of the Notes (including these Conditions) or any of the Relevant Documents which, in the opinion of the Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders of any class, determine that an Event of Default will not, subject to specified conditions, be treated as such, provided always that the Trustee will not exercise such powers of waiver, authorisation or determination in contravention of any express direction given by the Eligible Noteholders or by an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders (provided that no such direction shall affect any authorisation, waiver or determination previously made or given). Any such modification, waiver, authorisation or determination will be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

(i) Where the Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders of any class, it shall have regard to the interests of such Noteholders as a class and, in particular, but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(j) The Trustee shall be entitled to assume without further enquiry, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Relevant Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any class of Noteholders if the Rating Agencies have provided written confirmation that the then current ratings of the Notes or, as the case may be, the Notes of such class will not be qualified, downgraded or withdrawn as a result by such exercise.

13. Indemnification and Exoneration of the Trustee

The Trust Deed and certain of the Relevant Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security unless indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Relevant Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons whether or not on behalf of the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Relevant Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Relevant Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed also relieves the Trustee of liability for, *inter alia,* not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge and Assignment. The Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified to its satisfaction or to supervise the performance by the Issuer, the Servicer, the Special Servicer, the Cash Manager, the Liquidity Facility Provider, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider or any other person of their obligations under the Relevant Documents and the Trustee will assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

14. Replacement of Global Notes and Definitive Notes

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Registrar or the Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before replacements will be issued.

15. Notice to Noteholders

(*a*) All notices, other than notices given in accordance with the following paragraphs of this Condition 15, to Noteholders shall be deemed to have been validly given if published in a leading daily newspaper printed in the English language with general circulation in Dublin (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers as the Trustee approves having a general circulation in Ireland and the rest of Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. For so long as the Notes of any class are represented by Global Notes, notices to Noteholders will be validly given if published as described above or, for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, at the option of the Issuer, if delivered to the Depository for communication by it to Euroclear and/or Clearstream, Luxembourg and/or to DTC for communication by them to their participants and for communication by such participants to entitled accountholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC as aforesaid shall be deemed to have been given on the day on which it is delivered to the Depository.

(*b*) Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Amount or a Principal Amount Outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be previously approved in writing by the Trustee and notified to the Noteholders pursuant to Condition 15*(a)*. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impractical to give notice in accordance with this paragraph then notice of the matters referred to in this paragraph shall be given in accordance with Condition 15*(a)*.

(*c*) A copy of each notice given in accordance with this Condition 15 shall be provided to (for so long as the Notes of any class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and at all times to Fitch Ratings Ltd. ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**" and, together with Fitch and Moody's, the "**Rating Agencies**", which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Trustee, to provide a credit rating in respect of the Notes or any class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

(*d*) The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16. Subordination

(*a*) *Interest*

Subject to Condition 10 and for so long as any Class A Note is outstanding, in the event that, on any Interest Payment Date, the Available Interest Receipts, after deducting the amounts referred to in items (a) to (m) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class B Notes), items (a) to (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class C Notes) and items (a) to (o) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class D Notes), respectively (each such amount with respect to the relevant class of Notes, an "**Interest Residual Amount**"), are not sufficient to satisfy in full the Interest Amount due and, subject to this Condition 16*(a)*, payable on the Class B Notes, the Class C Notes or the Class D Notes, respectively, on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of interest on each Class B Note and/or Class C Note and/or Class D Note, as the case may be, only a *pro rata* share of the Interest Residual Amount attributable to the relevant class or classes of Notes on such Interest Payment Date, calculated by dividing the Original Principal Amount of each such Class B Notes, Class C Notes or Class D Notes, as the case may be, by the aggregate principal amount of the Class B Notes, Class C Notes or Class D Notes as at the Closing Date, as the case may be, and multiplying the result by the relevant Interest Residual Amount, and then rounding down to the nearest penny.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes, Class C Notes or Class D Notes, as the case may be, on any Interest Payment Date in accordance with this Condition 16*(a)* falls short of the Interest Amount due on the Class B Notes, Class C Notes or Class D Notes, as the case may be, on that date pursuant to Condition 5. Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Notes, the Class C Notes or the Class D Notes, as applicable, and shall be payable together with such accrued interest on any succeeding Interest Payment Date and any such unpaid interest and accrued interest thereon shall be paid, but only if and to the extent that, on such Interest Payment Date, the Available Interest Receipts, after deducting the amounts referred to in items (a) to (m) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class B Notes), items (a) to (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class C Notes) and items (a) to (o) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class D Notes), respectively, are, in any such case, sufficient to make such payment.

In the event that no Class A Note is outstanding, the provisions in this Condition 16(*a*) shall apply, *mutatis mutandis*, save that reference to the most senior class of Notes outstanding at that time and all classes of Notes that were, prior to their redemption, senior to that class of Notes shall be deleted.

(*b*) *Principal*

Subject, in each case, to Condition 6(*b*), Condition 6(*c*), Condition 6(*d*), Condition 10 and Condition 11, (i) while any Class A Notes are outstanding, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders shall not be entitled to any repayment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, respectively, (ii) while any Class B Notes are outstanding, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders shall not be entitled to any repayment of principal in respect of the Class C Notes, the Class D Notes or the Class E Notes respectively, (iii) while any Class C Notes are outstanding, the Class D Noteholders and the Class E Noteholders shall not be entitled to any repayment of principal in respect of the Class D Notes or the Class E Notes, respectively and (iv) while any Class D Notes are outstanding, the Class E Noteholders shall not be entitled to any repayment of principal in respect of the Class E Notes.

(c) *General*

In the event that the Issuer Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking higher in priority thereto or *pari passu* therewith under the Deed of Charge and Assignment, to pay in full all principal and interest and other amounts whatsoever due in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes then the holders of such Notes shall have no further claim against the Issuer in respect of any such unpaid amounts, as described in Condition 11. In the event that a shortfall in the amount available to pay principal of the Notes of any class exists on the Final Interest Payment Date, after payment of all other claims ranking higher in priority to or *pari passu* with the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at such date, the liability of the Issuer to make any payment in respect of such shortfall shall cease and all claims in respect of such shortfall shall be extinguished.

(d) *Notification*

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders as the case may be, in accordance with Condition 15 and, for so long as the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange.

17. Privity of Contract

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Trust Deed, the Deed of Charge and Assignment, the Agency Agreement, the other Relevant Documents and the Notes are governed by, and shall be construed in accordance with, English law other than the Depository Agreement and the Exchange Rate Agency Agreement, which are governed by and shall be construed in accordance with the laws of the State of New York.

19. U.S. Tax Treatment and Provision of Information

(a) It is the intention of the Issuer, each Noteholder and beneficial owner ("**Owner**") of an interest in the Notes that the Notes will be indebtedness of the Issuer for United States federal, state and local income and franchise tax purposes and for the purposes of any other United States federal, state and local tax imposed on or measured by income (the "**Intended U.S. Tax Treatment**"). To the extent applicable and absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note, or a beneficial interest therein, agree to treat the Notes, for purposes of United States federal, state and local income or franchise taxes and any other United States federal, state and local taxes imposed on or measured by income, consistent with the Intended U.S. Tax Treatment and to report the Notes on all applicable tax returns in a manner consistent with such treatment.

(b) For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or Owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or Owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

USE OF PROCEEDS

The proceeds from the issue of the Notes will be approximately £304,001,840 and this sum will be applied by the Issuer towards payment to MSDW Bank of the purchase consideration in respect of the Tranche A Loan and interest accrued thereon, and MSDW Bank's beneficial interest in the Security Trust comprising the Related Security to be purchased on the Closing Date pursuant to the Loan Sale Agreement. See "The Loan and the Related Security". Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by Morgan Stanley & Co. International Limited.

The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current United Kingdom tax law and Inland Revenue practice as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Interest on the Notes

1. Withholding tax on payments of interest on the Notes

For so long as the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the Irish Stock Exchange is such a "recognised stock exchange" for this purpose) interest payments on each of the Notes will be treated as a "payment of interest on a quoted Eurobond" within the meaning of section 349 of the Income and Corporation Taxes Act 1988. In these circumstances, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form or in definitive form.

If the Notes cease to be listed on a recognised stock exchange, an amount must be withheld on account of United Kingdom income tax at the lower rate (currently 20 per cent.) from interest paid on them, subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty or to the interest being paid to the persons (including companies within the charge to United Kingdom corporation tax) and in the circumstances specified in sections 349A to 349D of the Income and Corporation Taxes Act 1988.

2. Further United Kingdom income tax issues for non-United Kingdom resident Noteholders

Interest on the Notes constitutes United Kingdom source income and, as such, may be subject to income tax by direct assessment even where paid without withholding, subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the interest is received or to which the Notes are attributable (legislative proposals in the Finance Bill 2003 broadly replace references in the Tax Acts (as defined in section 831 of the Income and Corporation Taxes Act 1988) to "branch or agency" in respect of companies with references to "permanent establishment" for accounting periods beginning on or after 1st January 2003; in the event that the legislative proposals are enacted as drafted, the reference to "branch or agency" in the preceding sentence should be read as a reference to "permanent establishment"). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

United Kingdom corporation tax payers

In general, Noteholders which are within the charge to United Kingdom corporation tax in respect of Notes will be charged to tax and obtain relief as income on all returns on and fluctuations in value of the Notes broadly in accordance with their statutory accounting treatment.

Other United Kingdom tax payers

1. Taxation of chargeable gains

It is expected that the Notes will not be regarded by the Inland Revenue as constituting "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Notes may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains. There are provisions to prevent any particular gain (or loss) from being charged (or relieved) at the same time under these provisions and also under the provisions of the "accrued income scheme" described in 2 below.

2. Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last Interest Payment Date may be chargeable to tax as income under the rules of the "accrued income scheme" if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Stamp Duty and SDRT

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Notes or of a Definitive Note.

Proposed EU Directive on the Taxation of Savings Income

On 19th March, 2003, the EU Council of Economic and Finance Ministers discussed the adoption of a new directive regarding the taxation of savings income. It is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding system for a transitional period in relation to such payments. The proposed directive, which is proposed to come into force on 1st January, 2005, is not yet final, and may be subject to further amendment and/or clarification.

UNITED STATES TAXATION

The following is a summary of certain United States federal income tax considerations for original purchasers of the Notes that use the accrual method of accounting for United States federal income tax purposes and that hold the Notes as capital assets. This summary does not discuss all aspects of United States federal income taxation that might be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, tax-exempt institutions, non-United States persons engaged in a trade or business within the United States, or persons the functional currency of which is not the United States dollar). In particular, investors not using the accrual method of accounting for United States federal income tax purposes may be subject to rules not described herein. In addition, this summary does not discuss any non-United States, state, or local tax considerations. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. Prospective investors should consult their tax advisors regarding the federal, state, local, and non-United States income and other tax considerations of owning the Notes. No rulings will be sought from the United States Internal Revenue Service (the "**IRS**") with respect to the United States federal income tax consequences described below.

Notwithstanding anything to the contrary contained in this Offering Circular, each offeree or holder of the Notes (and each employee, representative, or other agent of such offeree or holder) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction (as defined in section 1.6011-4 of the United States Treasury regulations) and all materials of any kind (including opinions or other tax analyses) that are provided to the taxpayer relating to such tax treatment and tax structure.

For purposes of this summary, a "United States holder" means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organised in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust described in section 7701(a)(30) (D) or (E) of the Code (taking into account effective dates, transition rules and elections in connection therewith). A "non-United States holder" means a beneficial owner of a Note that is not a United States holder.

Characterisation of the Notes

The Issuer intends to take the position that the Notes are debt for United States federal income tax purposes. However, the Issuer will not obtain any rulings or opinions of counsel on the characterisation of the Notes and there can be no assurance that the IRS or the courts will agree with the position of the Issuer. In particular, because of the subordination and other features of the Class E Notes (and to a lesser extent, more senior classes of Notes), there is a significant possibility that the IRS could contend that they should be treated as equity. For further information see "—Possible Alternative Characterisation of the Notes". Absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note or a beneficial interest therein, agree to treat the Notes as debt for purposes of United States federal, state and local income or franchise taxes and any other United States, federal, state and local taxes imposed on or measured by income and to report the Notes on all applicable tax returns in a manner consistent with such treatment. Unless otherwise indicated, the discussion in the following paragraphs assumes this characterisation of the Notes is correct for United States federal income tax purposes. The following paragraphs are also based on the assumption that the Issuer will not be engaged in a trade or business within the United States to which the income from the Notes is effectively connected.

Interest Income of United States Holders

In General

The Notes will not be issued with original issue discount ("**OID**") for United States federal income tax purposes (as discussed below). Interest on such Notes will be taxable to a United States holder as ordinary income at the time it is accrued prior to the receipt of cash attributable to that income.

A Note will be considered issued with OID if its "stated redemption price at maturity" exceeds its "issue price" (i.e., the price at which a substantial portion of the respective class of Notes is first sold (not including

sales to the Managers)) by an amount equal to or greater than 0.25 per cent. of such Note's stated redemption price at maturity multiplied by such Note's weighted average maturity ("**WAM**"). In general, a Note's "stated redemption price at maturity" is the sum of all payments to be made on the Note other than payments of "qualified stated interest." The WAM of a Note is computed based on the number of full years each distribution of principal (or other amount included in the stated redemption price at maturity) is scheduled to be outstanding. The schedule of such likely distributions should be determined in accordance with the assumed rate of prepayment (the "**Prepayment Assumption**") used in pricing the Notes. The pricing of the Notes is calculated on the basis of the scheduled amortisation payments (for further information see "The Loan and the Related Security") on the assumption that there will be no prepayments.

In general, interest on the Notes will constitute "qualified stated interest" only if such interest is "unconditionally payable" at least annually at a single fixed or qualifying variable rate (or permitted combination of the foregoing) within the meaning of applicable United States Treasury Regulations. Interest will be considered "unconditionally payable" for these purposes if legal remedies exist to compel timely payment of such interest or if the Notes contain terms and conditions that make the likelihood of late payment or non-payment "remote." Although the Conditions of the Notes provide that a holder cannot compel the timely payment of any interest accrued in respect of the Notes (other than the Class A Notes), and that interest due on the Class E Notes is limited to specified amounts, Treasury Regulations provide that in determining whether interest is unconditionally payable the possibility of non-payment due to default, insolvency or similar circumstances is ignored. Accordingly, the Issuer intends to take the position that interest payments on the Notes constitute "qualified stated interest." It is possible that the IRS could take a contrary position.

Sourcing

Interest on a Note will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, United Kingdom withholding tax, if any, imposed on payments on the Notes will generally be treated as foreign tax eligible for credit against a United States holder's United States federal income tax (unless such tax is refundable under the relevant treaty). For foreign tax credit purposes, interest will generally be treated as foreign source passive income (or, in the case of certain United States holders, financial services income).

Foreign Currency Considerations

A United States holder that receives a payment of interest in sterling with respect to the Class A Notes, Class C Notes, Class D Notes and Class E Notes ("**Pound Sterling Notes**") will be required to include in income the United States dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to the Pound Sterling Notes during an accrual period. The United States dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year. In addition, such United States holder will recognise additional exchange gain or loss, treated as ordinary income or loss, with respect to accrued interest income on the date such income is actually received or the applicable Pound Sterling Note is disposed of. The amount of ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the sterling payment received (determined at the spot rate on the date such payment is received or the applicable Pound Sterling Note is disposed of) in respect of such accrual period and (ii) the United States dollar value of interest income that has accrued during such accrual period (determined at the average rate as described above). Alternatively. a United States holder may elect to translate interest income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Disposition of Notes by United States Holders

In General

Upon the sale, exchange or retirement of a Note, a United States holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the United States holder's adjusted tax basis in the Note. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Note (which will be treated as interest as described under "Interest Income of United States Holders" above). A United States holder's adjusted tax basis in a Note generally will equal the cost of the Note to the United States holder, decreased by any payments (other than payments of qualified stated interest) received on the Note.

In general, except as described below, gain or loss realised on the sale, exchange or redemption of a Note will be capital gain or loss.

Foreign Currency Considerations

A United States holder's tax basis in a Pound Sterling Note, and the amount of any subsequent adjustment to such United States holder's tax basis, will be the United States dollar value of the sterling amount paid for such Pound Sterling Note, or of the sterling amount of the adjustment, determined at the spot rate on the date of such purchase or adjustment. A United States holder that purchases a Pound Sterling Note with previously owned sterling will recognise ordinary income or loss in an amount equal to the difference, if any, between such United States holder's tax basis in the sterling and the United States dollar value of the sterling on the date of purchase.

Gain or loss realised upon the receipt of a principal payment on, or the sale, exchange or retirement of, a Pounds Sterling Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the applicable sterling principal amount of such Pound Sterling Note, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or such Pound Sterling Note is disposed of, and (ii) the United States dollar value of the applicable sterling principal amount of such Pound Sterling Note, on the date such holder acquired such Pound Sterling Note, and the United States dollar amounts previously included in income in respect of the accrued interest received at the spot rate on that day. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States holder on the sale, exchange or retirement of the Pound Sterling Note. The source of such sterling gain or loss will be determined by reference to the residence of the United States holder or the qualified business unit of the United States holder on whose books the Pound Sterling Note is properly reflected.

A United States holder will have a tax basis in any sterling received on the receipt of principal on, or the sale, exchange or retirement of, a Pound Sterling Note equal to the United States dollar value of such sterling, determined at the time of such receipt, sale, exchange or retirement. Any gain or loss realised by a United States holder on a subsequent sale or other disposition of sterling (including its exchange for United States dollars) will generally be ordinary income or loss.

Realised Losses

It is likely that the Notes will be treated as a "security" as defined in section 165(g)(2) of the Code. Accordingly, any loss with respect to the Notes as a result of one or more realised losses on the Loan will be treated as a loss from the sale or exchange of a capital asset at that time. In addition, no loss will be permitted to be recognised until the Notes are wholly worthless.

Each United States holder will be required to accrue interest with respect to a Note without giving effect to any reductions attributable to defaults on the assumption that no defaults or delinquencies occur with respect to the Loan until it can be established that those payment reductions are not receivable. Accordingly, particularly with respect to the more subordinated Notes, the amount of taxable income reported during the early years of the term of the Notes may exceed the economic income actually realised by the holder during that period. Although the United States holder of a Note would eventually recognise a loss or reduction in income

attributable to the previously accrued income that is ultimately not received as a result of such defaults, the law is unclear with respect to the timing and character of such loss or reduction in income.

Possible Alternative Characterisations of the Notes

In General

Although, as described above, the Issuer intends to take the position that the Notes will be treated as debt for United States federal income tax purposes, such position is not binding on the IRS or the courts and therefore no assurance can be given that such characterisation will prevail. In particular, because of the subordination and other features of the Class E Notes (and to a lesser extent, more senior classes of Notes), there is a significant possibility that the IRS could contend that they should be treated as an equity interest in the Issuer. Alternatively, the IRS could contend that the Pound Sterling Notes should be treated as representing *pro rata* ownership interests in the Loan and the Interest Rate Swap Transaction and that the Class B Notes should be treated as representing *pro rata* ownership interests in the Loan and the Swap Transactions.

If the Pound Sterling Notes were treated as representing ownership of a direct interest in the Loan and the Interest Rate Swap Transaction, a United States holder thereof would be treated as owning an interest in a "stripped bond" within the meaning of Section 1286 of the Code and an interest in a "notional principal contract" under Treasury Regulation Section 1.446-3. Because the Pound Sterling Notes would represent a beneficial interest in two assets, a United States holder would be required to allocate its purchase price between the two assets and, in general, to report the income from those two assets separately. Such treatment should not materially affect the timing or character of the aggregate income reported by a United States holder, but payments deemed received with respect to the Interest Rate Swap Transaction would have a United States source rather than a foreign source, which could reduce the foreign tax credit limitations of a United States holder. Under this possible alternative treatment, a United States holder might be able to elect to treat the Loan and the Interest Rate Swap Transaction as an integrated synthetic variable rate debt instrument by making an appropriate election under Treasury Regulation Section 1.1275-6, as to which United States holder may wish to consult their own tax advisors. If the Class B Notes were treated as representing a *pro rata* ownership interest in the Loan and the Swap Transactions, a United States holder thereof would be treated as owning an interest in a "stripped bond" within the meaning of Section 1286 of the Code and an interest in two notional principal contracts under Treasury Regulation Section 1.446-3. Because the Class B Notes would represent a beneficial interest in three assets, a United States holder would be required to allocate its purchase price between the three assets and, in general, to report the income from those three assets separately. Such treatment should not materially affect the timing or character of the aggregate income reported by a United States holder, but payments deemed received with respect to the Swap Transactions would have a United States source rather than a foreign source, which could reduce the foreign tax credit limitations of a United States holder. Under this possible alternative treatment, a United States holder might be able to elect to treat the Loan and the Swap Transactions as a synthetic debt instrument under Treasury Regulation Section 1.988 5, as to which the United States holders may wish to consult their own tax advisors.

If the Notes should be treated as equity interests in the Issuer (any such Note, a "**Recharacterised Note**"), a United States holder of a Recharacterised Note would be required to include in income (with no dividends received deduction available to corporate United States holders) payments of "interest" as dividends to the extent of current or accumulated earnings and profits of the Issuer, as determined for United States federal income tax purposes. "Dividend" payments on the Recharacterised Note, in excess of current or accumulated earnings and profits of the Issuer, generally would reduce the United States holder's tax basis in the Note and, to the extent the aggregate amount of dividends exceeded the United States holder's basis, such excess would generally constitute capital gain. "Dividend" income derived by a United States holder with respect to a Recharacterised Note generally would constitute foreign source income that would be treated as passive income for foreign tax credit purposes. Each United States holder should consult its own tax advisors as to how it would be required to treat this income for purposes of its particular United States foreign tax credit calculation.

Classification of Issuer as Passive Foreign Investment Company

The Issuer will likely be treated as a passive foreign investment company ("**PFIC**") for United States federal income tax purposes. As a result, a United States holder of any Recharacterised Notes might be subject to potentially adverse United States federal income tax consequences as the holder of an equity interest in the

Issuer. A United States holder of an equity interest in a PFIC that receives an "excess distribution" must allocate the excess distribution rateably to each day in the holder's holding period for the stock and will be subject to a "deferred tax amount" with respect to each prior year in the holding period. The total excess distribution for any taxable year is the excess of (a) the total distributions for the taxable year over (b) 125 per cent. of the average amount received in respect of such equity interest by the United States holder during the three preceding taxable years. In addition, any gain recognised on the sale, retirement or other taxable disposition of such Notes would be recharacterised as ordinary income and would further be treated as having been recognised *pro rata* over such United States holder's entire holding period. The amount of gain treated as having been recognised in prior taxable years would be subject to tax at the highest tax rate in effect for such years, with interest thereon calculated by reference to the interest rate generally applicable to underpayments with respect to tax liabilities from such prior taxable years.

Although, United States shareholders of a PFIC can mitigate any adverse tax consequences of the PFIC rules by filing an election to treat the PFIC as a qualified electing fund ("**QEF**") if the PFIC complies with certain reporting requirements, the Issuer does not intend to comply with such reporting requirements necessary to permit United States holders to elect to treat the Issuer as a QEF.

A United States holder that holds "marketable stock" in a PFIC may also avoid certain unfavourable consequences of the PFIC rules by electing to mark the Recharacterised Notes to market as of the close of each taxable year. A United States holder that made the mark-to-market election would be required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the Recharacterised Notes at the close of the year over the United States holder's adjusted tax basis in the Recharacterised Notes. For this purpose, a United States holder's adjusted tax basis generally would be the United States holder's cost for the Recharacterised Notes, increased by the amount previously included in the United States holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the United States holder as a deduction pursuant to such election (as described below). If, at the close of the year, the United States holder's adjusted tax basis exceeded the fair market value of the Recharacterised Note, then the United States holder would be allowed to deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains on such Recharacterised Notes previously included in income. Any gain from the actual sale of the Recharacterised Notes would be treated as ordinary income, and to the extent of net mark-to-market gains previously included in income any loss would be treated as ordinary loss. Recharacterised Notes would be considered "marketable stock" in a PFIC for these purposes only if they were regularly traded on an exchange which the IRS determines has rules adequate for these purposes. Application has been made to the Official List of the Irish Stock Exchange for listing of the Notes. However, there can be no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange, that they will be "regularly traded" or that such exchange would be considered a qualified exchange for these purposes.

Depending on the percentage of deemed equity interests of the Issuer held by United States holders, it is possible that the Issuer might be treated as a "controlled foreign corporation" or "foreign personal holding company" for United States federal income tax purposes. In such event, United States holders that own a certain percentage of Recharacterised Notes might be required to include in income their *pro rata* shares of the earnings and profits of the Issuer, and generally would not be subject to the rules described above relating to PFICs. Prospective investors should consult with their tax advisors concerning the potential effect of the controlled foreign corporation and foreign personal holding company provisions.

Information Reporting Requirements

The Treasury Department has issued regulations with regard to reporting requirements relating to the transfer of property (including certain transfers of cash) to a foreign corporation by United States persons or entities. In general, these rules require United States holders who acquire Notes that are characterised (in whole or in part) as equity of the Issuer to file a Form 926 with the IRS and to supply certain additional information to the IRS. In the event a United States holder fails to file any such required form, the United States holder may be subject to a penalty equal to 10 per cent. of the fair market value of the Notes as of the date of purchase (generally up to a maximum penalty of U.S.$100,000 in the absence of intentional disregard of the filing requirement; in the case of intentional disregard, no maximum applies). In addition, if (i) U.S. holders acquire Notes that are recharacterised as equity of the Issuer and (ii) the Issuer is treated as a "controlled foreign corporation" or a "foreign personal holding company" for United States federal income tax purposes, certain of those United States holders will generally be subject to additional information reporting requirements (e.g.,

certain United States holders will be required to file a Form 5471). Prospective investors should consult with their tax advisors concerning the additional information reporting requirements with respect to holding equity interest in foreign corporations.

Non-United States Holders

Interest paid (or accrued) to a non-United States holder will generally not be subject to U.S. withholding unless such interest is effectively connected to that non-United States holder's conduct of trade or business within the United States.

If the interest, gain or income on a Note held by a Non-United States holder is effectively connected with the conduct of a trade or business in the United States, the holder may be subject to United States federal income tax on the interest, gain or income at regular income tax rates.

Any capital gain realised on the sale, exchange or retirement of a Note by a non-United States holder will be exempt from United States federal income and withholding tax provided that (i) such gain is not attributable to an office or other fixed place of business the non-United States holder maintains in the United States and (ii) in the case of a non-United States holder who is a natural person, the non-United States holder is not present in the United States for 183 days or more in the taxable year and certain other conditions are met.

Backup Withholding and Information Reporting

Information reporting to the IRS generally will be required with respect to payments of principal or interest or to distributions on the Notes and to proceeds of the sale of the Notes that, in each case, are paid by a United States payor or intermediary to United States holders other than corporations and other exempt recipients. "Backup" withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (including such holder's taxpayer identification number) to such payor, intermediary or other withholding agent or such holder is notified by the IRS that it is subject to backup withholding. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding tax is not an additional tax and generally may be credited against a holder's United States federal income tax liability provided that such holder provides the necessary information to the IRS.

Tax Shelter Reporting Requirements – Currency Exchange Losses.

Under recently issued United States Treasury regulations on tax shelter disclosure and list maintenance, taxpayers that enter into "reportable transactions" on or after January 1st, 2003 are required to file information returns. In the case of a corporation or a partnership whose partners are all corporations, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a loss claimed under Section 165 of the Code (without taking into account any offsetting items) (a "Section 165 Loss") of at least U.S.$10 million in any one taxable year or U.S.$20 million in any combination of taxable years. In the case of any other partnership, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S.$2 million in any one taxable year or U.S.$4 million in any combination of taxable years. In the case of an individual or a trust, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S.$50,000 in any one taxable year arising from a currency exchange loss (see "*Foreign Currency Considerations*" above). In determining whether a transaction results in a taxpayer claiming a loss that meets the threshold over a combination of taxable years, only losses claimed in the taxable year that the transaction is entered into and the five succeeding taxable years are combined. Accordingly, if a United States holder realizes currency exchange losses on the Notes satisfying the monetary thresholds discussed above, such United States holder would have to file an information return. Prospective investors should consult their tax advisors regarding these information return requirements.

U.S. ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as "**ERISA Plans**"), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on ERISA Plans and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other plans and arrangements are hereinafter referred to as "Plans"). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), generally are not subject to the requirements of ERISA. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA prohibited transaction considerations described below, subject to the provisions of other applicable federal and state law.

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimise the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plans (collectively, "Parties in Interest"). The types of transactions between Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Plan. Under regulations issued by the United States Department of Labor, set forth in 29 C.F.R. § 2510.3-101 (the "Plan Asset Regulations"), the assets of the Issuer would be treated as plan assets of a Plan for the purposes of ERISA and Section 4975 of the Code only if the Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulations is applicable. An equity interest is defined under the Plan Asset Regulations as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is no authority directly on point, it is anticipated that the Class A Notes, Class B Notes, Class C Notes and Class D Notes should be treated as indebtedness under local law without any substantial equity features for purposes of the Plan Asset Regulations. By contrast, the Class E Notes may be treated as "equity interests" for purposes of the Plan Asset Regulations. Accordingly, the Class E Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

However, without regard to whether the Class A Notes, Class B Notes, Class C Notes and Class D Notes are treated as an equity interest for such purposes, the acquisition or holding of the Class A Notes, Class B Notes, Class C Notes or Class D Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction under ERISA or Section 4975 of the Code if the Issuer, MSDW Bank, the Managers, the Trustee or any of their respective affiliates is or becomes a Party in Interest with respect to such Plan. However, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the fiduciary making the decision to acquire the Class A Notes, Class B Notes, Class C Notes or Class D Notes. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager", PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager", PTCE 90-1, which exempts certain transactions between insurance company separate accounts and Parties in Interest, PTCE 91-38, which exempts certain transactions between bank collective investment funds and Parties in Interest and

PTCE 95-60, which exempts certain transactions between insurance company general accounts and Parties in Interest (collectively, the "Exemptions"). Even if the conditions specified in one or more of the Exemptions are met, the scope of the relief provided by the Exemptions might or might not cover all acts which might be construed as prohibited transactions.

Nevertheless, even if an Exemption applies, a Plan generally should not purchase the Class A Notes, Class B Notes, Class C Notes or Class D Notes if the Issuer, MSDW Bank, the Managers, the Trustee, the Servicer, the Special Servicer, the Paying Agents, the Cash Manager, the Operating Bank, the Agent Bank, the Exchange Agent, the Security Trustee, the Share Trustee, the Registrar, the Depository, the Interest Rate Swap Provider, the Interest Rate Swap Guarantor, the FX Swap Provider, the Liquidity Facility Provider, the Corporate Services Provider or any of their respective affiliates either (a) has investment discretion with respect to the investment of assets of such Plan; (b) has authority or responsibility to give or regularly gives investment advice with respect to assets of such Plan, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such assets and that such advice will be based on the particular investment needs of such Plan; or (c) is an employer maintaining or contributing to such Plan. A party that is described in clause (a) or (b) of the preceding sentence is a fiduciary under ERISA with respect to the Plan and any such purchase might result in a "prohibited transaction" under ERISA or the Code.

An insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to ERISA and Section 4975 of the Code. On 5th January, 2000, the DOL issued a final regulation which provides guidance for determining, in cases where insurance policies supported by an insurer's general account are issued to or for the benefit of a Plan on or before 31st December, 1998, which general account assets are plan assets. That regulation generally provides that, if certain specified requirements are satisfied with respect to insurance policies issued on or before 31st December, 1998, the assets of an insurance company general account will not be plan assets. Nevertheless, certain assets of an insurance company general account may be considered to be plan assets. Therefore, if an insurance company acquires Notes using assets of its general account, certain of the insurance company's assets may be plan assets and the provisions of ERISA and Section 4975 of the Code could apply to such acquisition and the subsequent holding of the Notes. An insurance company using assets of its general account may not acquire Class E Notes if any of such general account assets are considered to be plan assets.

The sale of any Class A Notes, Class B Notes, Class C Notes or Class D Notes to a Plan is in no respect a representation by the Issuer, MSDW Bank, the Manager or the Trustee that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Each purchaser of the Class A Notes, Class B Notes, Class C Notes and Class D Notes will be deemed to have represented and agreed that (i) either it is not purchasing such Notes with the assets of any Plan or that one of more exemptions applies such that the use of such assets will not constitute a prohibited transaction under ERISA or the Code, and (ii) with respect to transfers, it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan, or one or more exemptions applies such that the use of such assets will not constitute a prohibited transaction. The Class E Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code. Any Plan fiduciary that proposes to cause a Plan to purchase such instruments should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption or exemptions have been satisfied.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited whose registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA, Barclays Bank plc whose registered office is at 54 Lombard Street, London EC3P 3AH and WestLB AG whose registered office is at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA (together, the "**Managers**"), pursuant to a subscription agreement dated 3rd June, 2003 (the "**Subscription Agreement**"), between the Managers, the Issuer, MSMS, MSDW Bank, agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the principal amount of such Notes, the Class B Notes at 100 per cent. of the principal amount of such Notes, the Class C Notes at 100 per cent. of the principal amount of such Notes, the Class D Notes at 100 per cent. of the principal amount of such Notes and the Class E Notes at 100 per cent. of the principal amount of such Notes.

The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

United States of America

Each of the Managers has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 41 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section "Subscription and Sale", the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

In addition, 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

United Kingdom

Each of the Managers has further represented and agreed that:

(a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 and Markets Act 2000 ("**FSMA**"), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of

section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

General

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this document to the Registrar of Companies in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the Managers has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

Attention is drawn to the information set out under "Important Notice".

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

Each purchaser of an interest in the Notes will be deemed to have acknowledged, represented and agreed as follows (terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser either (A)(i) is a qualified institutional buyer, (ii) is aware that the sale of interests in the Notes to it is being made in reliance on Rule 144A and (iii) is acquiring such interest in the Notes for its own account or for the account of a qualified institutional buyer, as the case may be, or (B) is not a U.S. person and is acquiring the Notes outside the United States.

(2) Each purchaser described in subclause (A) of paragraph (1) above understands that the Notes have not been and will not be registered under the Securities Act and that interests therein may be reoffered, resold, pledged or otherwise transferred only (A)(i) to the Issuer, (ii) a person whom the purchaser reasonably believes is a qualified institutional buyer purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities laws of the States of the United States.

(3) The Notes that represent interests sold to purchasers described in subclause (A) of paragraph (1) above will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1)(A) TO THE ISSUER, OR (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (C) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) AND (2) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

(4) Each purchaser described in subclause (B) of paragraph (1) above understands that the Notes have not been and will not be registered under the Securities Act and that any offers, sales or deliveries in the United States or to U.S. persons of its interest in the Notes prior to the date that is 40 days after the later of the commencement of the offering of the Notes and the original issue date of the Notes may constitute a violation of United States law.

(5) The Notes that represent interests sold to purchasers described in subclause (B) of paragraph (1) above will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF ORIGINAL ISSUANCE OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(6) The purchaser is duly authorised to purchase its interest in the Notes and its purchase of investments having the characteristics of the Notes is authorised under, and not directly or indirectly in contravention of, any law, charter, trust investment or other operative document, investment guidelines or list of permissible or impermissible investments which is applicable to the purchaser.

(7) (a) Either (i) the purchaser is not an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or a plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") (each, a "**Plan**"), or an entity whose underlying assets are considered, for any purpose of ERISA or Section 4975 of the Code, to be assets of any Plan by reason of any Plan's investment in the entity (a "**Plan Asset Entity**") or (ii) the purchaser is acquiring its interest in the Class A Notes, Class B Notes, Class C Notes or Class D Notes and the acquisition and holding of such interest by the purchaser is not prohibited by either Section 406 of ERISA or Section 4975 of the Code, and (b) it will not transfer any Notes or interest therein to a Plan or a Plan Asset Entity the Notes that are the subject of the transfer are not Class E Notes and unless the acquisition and holding of an interest in such Notes by the transferee is not prohibited by either Section 406 of ERISA or Section 4975 of the Code.

(8) The purchaser will furnish the Issuer such information regarding payment and notification instructions and such tax forms (including, to the extent appropriate, Internal Revenue Service Form W-8, W-9 or 4224) as the Issuer may require.

(9) The purchaser acknowledges that the Issuer, each of the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements, and agrees that if any of the acknowledgements, representations, warranties or agreements deemed to have been made by it by its purchase of an interest in the Notes are no longer accurate, it will promptly notify the Issuer and the Managers. If it is acquiring an interest in any Note as fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such account.

(10) Each purchaser described in subclause (A) of paragraph 1 above acknowledges that the Depository will not be required to transfer any interests in Rule 144A Global Notes for interests in Reg S Global Notes, except upon written certification to the Depository that the restrictions set forth in clause (c) of the legend contained in paragraph 3 above have been complied with.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on or about 3rd June, 2003.

2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 3rd June, 2003, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.

3. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg as follows:

	Common Code (for Reg S Notes)	ISIN (for Reg S Notes)	CUSIP (for Rule 144A Notes)	Common Code (for Rule 144A Notes)	ISIN (for Rule 144A Notes)
Class A	16853640	XS0168536406	99H999EP7	16853658	XS0168536588
Class B	16853674	XS0168536745	99H999EQ5	16853682	XS0168536828
Class C	16853704	XS0168537040	99H999ER3	16853739	XS0168537396
Class D	16853747	XS0168537479	99H999ES1	16853763	XS0168537636
Class E	16853771	XS0168537719	99H999ET9	16853798	XS0168537982

4. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the principal offices of the Paying Agent in Dublin. The Issuer does not publish interim accounts.

5. The Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.

6. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement being a contract entered into other than in its ordinary course of business.

7. BDO Stoy Hayward, auditors of the Issuer, has given and not withdrawn its written consent to the issue of this Offering Circular with the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).

8. Denton Wilde Sapte has given and not withdrawn its written consent to the issue of this Offering Circular with the inclusion of references to its views, opinions and name in the form and context in which they are included and has authorised the content of those parts of this Offering Circular for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).

9. Save as disclosed herein, since 19th September, 2002 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.

10. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at Blackwell House, Guildhall Yard, London EC2V 5AE and at the principal offices of the Sub-Paying Agent in Dublin during the period of 14 days from the date of this document:

(i) the Memorandum and Articles of Association of the Issuer and of MTLJLP;

(ii) the balance sheet of the Issuer and of MTLJLP as at 3rd June, 2003 and the auditors report thereon;

(iii) the Subscription Agreement referred to in paragraph 6 above; and

(iv) drafts (subject to modification) of the following documents:

(a) the Trust Deed;

(b) the Loan Sale Agreement;

(c) the Deed of Charge and Assignment;

(d) the Declaration of Trust;

(e) the Servicing Agreement;

(f) the Cash Management Agreement;

(g) the Interest Rate Swap Agreement and the Interest Rate Swap Guarantee;

(h) the FX Swap Agreement;

(i) the Corporate Services Agreement;

(j) the Liquidity Facility Agreement;

(k) the Depository Agreement;

(l) the Agency Agreement;

(m) the Exchange Rate Agency Agreement; and

(n) the Definitions Agreement.

APPENDIX 1
VALUATION REPORT RELATING TO THE PROPERTIES

Morgan Stanley Mortgage Servicing Limited
in its capacity as Security Trustee and Servicer
(and its nominees)
20 Cabot Square
Canary Wharf
London E14 4QW

Morgan Stanley Dean Witter Bank Limited
in its capacity as Originator
25 Cabot Square
Canary Wharf London E14 4QA

Morgan Stanley & Co. International Limited
in its capacity as Lead Manager
25 Cabot Square
Canary Wharf
London E14 4QA

1 May 2003

Dear Sirs

I. HERMIONE (EUROPEAN LOAN CONDUIT NO. 14)

Scope of Instructions

In accordance with your instructions, we have inspected the freehold and leasehold properties acquired by Industrious Limited (the "Company") in order to advise you of our opinion of the open market value of the properties as at 5 July 2002. We would comment that since the date of valuation it is considered that there has been no diminution in the value of the portfolio as at 1 May 2003.

Each of the properties has been inspected internally over the last three years with each being externally inspected over the last 12 months by DTZ. We have relied on floor area provided to us by the Company and have taken check measurement on site to satisfy ourselves of their accuracy. The valuations have been undertaken by DTZ.

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements and Guidance Notes contained within the Appraisal and Valuation Manual (the "Manual") issued by the Royal Institution of Chartered Surveyors (the 'RICS') and that they have been undertaken by valuers, acting as External Valuers, qualified for the purpose of the valuations.

We understand that the valuations are required in connection with a loan facility (to assist in the acquisition of the portfolio) in the sum of £329 million secured by way of first legal mortgages over the interests valued in this report.

This opinion of value and the entire report are subject to the comments made throughout and to all assumptions and limiting conditions set forth herein. This valuation certificate should be read in conjunction with Addendum 1, Terms and Conditions.

Definition of Basis of Valuation

Open market value is defined as:

An opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash on the date of valuation, assuming:

1. a willing seller;
2. that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
3. that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
4. that no account is taken of any additional bid by a prospective purchaser with a special interest; and
5. that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

General Assumptions

We have not made any adjustment to reflect any liability to taxation that may arise on disposal of any of the properties, or for any costs associated with such disposals incurred by the owner. No allowance has been made to reflect any liability to taxation that may arise on disposal of any of the properties, or for any costs associated with such disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on any disposal.

We have made deductions to reflect a purchaser's normal acquisition costs. This is made up of Stamp Duty at the appropriate rate, 1% legal fees and 0.75% agents fees.

2% Stamp Duty	up to £250,000
3% Stamp Duty	> £250,001
4% Stamp Duty	> £500,001

Tenure and Tenancies

We have not had access to the title deeds of the properties. Except for disclosures in the Certificates of Title prepared by Messrs Denton Wilde Sapte, we have assumed that the borrower is possessed of good marketable freehold or leasehold title in each case and that the properties are free from rights or way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

Age of the Properties

The properties have been constructed over a period from the early 1900s to the late 1990s, with the majority being of post-1970s construction. Many of the older sites have seen refurbishment over the last 10 years.

Condition of Structure and Services, Deleterious Materials, Plant and Machinery and Goodwill

The company has informed us that to the best of their knowledge there have been no deleterious materials used in the construction of the properties. However, due regards has been paid to the apparent state of repair and condition of each property, but condition surveys have not been undertaken. Woodwork or other parts of the structures which are covered, unexposed or inaccessible have not been inspected. Therefore,

we are unable to report that the properties are structurally sound or are free from any defects. We have assumed that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not arranged for investigations to be made to determines whether high alumina cement concrete, calcium chloride additive or any other deleterious material has been used in construction or any alterations; therefore we cannot confirm that the properties are free from risk in this regards. For the purposes of these valuations, it has been assumed that any investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have assumed that the load-bearing qualities of the site of each property are sufficient to support the buildings constructed thereon We have also assumed that there are no abnormal ground conditions or archaeological remains present which might adversely affect the present or future occupation, development or value of the properties.

No tests have been carried out as to electrical, electronic, heating or any other services nor have the drains been tested. However, we have assumed all services to be functioning satisfactorily. No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupant's businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of the properties.

It is a condition of DTZ or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the valuation report in no way relates to, or gives warranties as to the condition of, the structure, foundations, soil and services of any of the properties.

Environmental Matters

We have been provided with Phase 1 Environmental reports prepared by Messrs Technotrade or Messrs Kennedy & Donkin for the majority of the properties, in each case, in order, so far as reasonable possible to establish the potential existence of contamination arising out of previous or present uses of any of the sites and any adjoining sites. They have not raised any major contamination issues sufficient to adversely affect valuations. We would comment that the properties are likely to remain in industrial use for the foreseeable future.

Our enquiries and inspections have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, we have assumed that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations to establish whether there is any contamination of the subject properties. Commensurate with our assumptions set out above, we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in

the market might, in practice, undertake further investigations beyond those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land, or that the premises have been reported or are being put to any contaminative use, then this might reduce the values now reported.

We have assumed that the information and opinions we have been given are complete and correct in respect of the properties and that further investigations would not reveal more information sufficient to affect value. We consider that this assumption is reasonable in the circumstances.

Floor Areas

Each of the properties has been inspected internally over the last three years with each being externally inspected over the last 12 months by DTZ. We have relied on floor area provided to us by the Company and have taken check measurement on site to satisfy ourselves of their accuracy. The valuations have been undertaken by DTZ.

Statutory Requirements and Planning

Verbal enquiries have been made of the relevant planning authority in whose area each property lies as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

It has been assumed that the building regulation approvals, and that where necessary they have the benefit of a current Fire Certificate. It is further assumed that the properties are not subject to any outstanding statutory notices as to their construction, use or occupation. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have assumed that the properties comply with all relevant statutory requirements.

Unless our enquiries have revealed the contrary, it has been further assumed that the existing use of each property is duly authorised or established and that no adverse planning condition or restriction applies.

We would draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required.

We have assumed that the uses or intended uses are not in any way in breach of Licensing Acts, the Registered Homes Act, Environmental Health Acts, or other statute governing the operations of the particular business.

We have read all the leases and related documents provided to us by the Company and Messrs Denton Wile Sapte. We have assumed that copies of all relevant documents have been sent to us and that they are complete and up to date.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have assumed that the tenants are financially in a position to meet their obligations. Unless otherwise advised, we have also assumed that there are no material arrears of rent or service charges, breaches of covenants, or current or anticipated tenant disputes. However, our valuations reflect the type of tenants actually in occupation, and the market's general perception of

their creditworthiness.

We have also assumed that wherever rent reviews or lease renewals are pending or impending, with an anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

Information

We have assumed that the information the Company, its professional advisors and your professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have assumed that details of all matters likely to affect value within their collective knowledge have been made available to us and that the information is up to date.

It follows that we have assumed that details of all matters likely to affect value within their collective knowledge have been made available to us and that the information is up to date.

Estimated Reinstatement Cost Assessment

An estimated reinstatement cost assessment, which is our assessment of the cost of reinstating each property at the date of valuation, has been prepared.

The figures set out are our assessment of the cost of reconstructing each property. They include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but they exclude any allowance for VAT. The figures make no allowance for loss of rent during the rebuilding period, nor for inflation, nor the cost of dealing with any contamination which may be present and which has to be dealt with prior to reconstruction.

We have assumed that each reinstated building and its use will be similar to those existing, and the replacement buildings will be of the original design, in modern materials, using modern techniques to modern standards.

We have considered the extent and nature of the building but our assessments are undertaken as part of our normal valuation exercise. We have not carried out formal reinstatement cost assessments through our Building Consultancy Division. Our assessments should be treated as guides and should not be relied upon. They should be used for comparative purposes only against the borrower's proposed purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, formal reinstatement cost assessments should be commissioned.

Open Market Valuation

We are aware of the opinion that the aggregate of the open market values of the freehold and leasehold properties, subject to existing tenancies as at 5 July 2002 and to the assumptions and comments in this Report and in Addendum 1 was as follows.

Total	**£390,877,000 (Three Hundred and Ninety Million Eight Hundred and Seventy Seven Thousand pounds)**

Confidentiality and Disclosure	The contents of this Report and Addendum are confidential to the addressees and its nominees for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. We agree to this Report and Addendum being included in an Offering Circular (in preliminary and final form) to investors in connection with an issue of mortgage backed notes.

Yours faithfully

SEAN A WORDLEY, MA MRICS CHARTERED SURVEYOR
DIRECTOR
FOR AND ON BEHALF OF
DTZ DEBENHAM TIE LEUNG LTD

APPENDIX 2
TABLES RELATING TO THE PROPERTY PORTFOLIO AS AT THE VALUATION DATE

The following tables, based on information provided by Industrious as at the Valuation Date and in respect of which certain portions were subject to the legal due diligence that has been undertaken in relation to the Properties (see "The Loan and the Related Security — Legal Due Diligence"), provide statistical information in relation to the Properties in the Portfolio as at the Valuation Date.

Region

Region	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
West Midlands	25	95,086,500	24.3%	2,632,416	3.05	8,035,557	137,989	5.2%
South East	10	68,255,000	17.5%	1,127,654	4.95	5,582,137	30,360	2.7%
North West	17	56,677,500	14.5%	2,123,106	2.59	5,496,047	286,533	13.5%
East Anglia	4	51,335,000	13.1%	811,644	4.96	4,024,935	21,648	2.7%
London	13	46,650,500	11.9%	665,101	5.66	3,764,560	21,374	3.2%
South West	11	29,615,000	7.6%	790,067	3.30	2,609,141	69,016	8.7%
East Midlands	4	19,882,500	5.1%	780,775	2.30	1,793,815	166,152	21.3%
Yorkshire & Humberside	14	15,405,000	3.9%	412,600	3.92	1,615,510	20,911	5.1%
Wales	2	4,125,000	1.1%	84,827	4.43	375,986	9,644	11.4%
North East	3	3,845,000	1.0%	130,225	3.32	432,772	7,574	5.8%
Total	**103**	**390,877,000**	**100.0%**	**9,558,417**	**3.53**	**33,730,459**	**771,201**	**8.1%**

Tenure

Tenure	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
Free	84	351,069,500	89.8%	8,491,487	3.50	29,759,358	723,167	8.5%
Lease	19	39,807,500	10.2%	1,066,929	3.72	3,971,101	48,034	4.5%
Total	**103**	**390,877,000**	**100.0%**	**9,558,417**	**3.53**	**33,730,459**	**771,201**	**8.1%**

Property Type

Property Type	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
Industrial	67	262,443,000	67.1%	7,272,203	3.22	23,384,890	726,491	10.0%
Warehouse	32	86,809,000	22.2%	1,663,478	4.30	7,150,534	23,062	1.4%
Mixed Use	1	39,790,000	10.2%	596,270	5.08	3,029,035	21,648	3.6%
Office	1	1,460,000	0.4%	26,466	6.27	166,000	-	-
Caravan Park	1	200,000	0.1%	-	-	-	-	-
Land	1	175,000	0.0%	-	-	-	-	-
Total	**103**	**390,877,000**	**100.0%**	**9,558,417**	**3.53**	**33,730,459**	**771,201**	**8.1%**

Management Regions

Management Regions	Number of Assets	Aggregate Asset Value (£)	Percent By Aggregate Asset Value	Lettable Area (square feet)	Annual Net Rent (£ per square feet)	Annual Net Rental Income (£)	Total Vacant Area (square feet)	Vacant Rates
South East	22	131,265,500	33.6%	1,951,019	5.39	10,515,872	47,667	2.4%
Midlands	27	110,169,000	28.2%	3,210,083	2.93	9,404,371	304,141	9.5%
South West	20	73,515,000	18.8%	1,731,382	3.62	6,265,887	104,375	6.0%
North West	17	56,677,500	14.5%	2,123,106	2.59	5,496,047	286,533	13.5%
North East	17	19,250,000	4.9%	542,825	3.77	2,048,282	28,485	5.2%
Total	**103**	**390,877,000**	**100.0%**	**9,558,417**	**3.53**	**33,730,459**	**771,201**	**8.1%**

Note: the annual net rental income in each of the above tables does not include the deduction of ground rent for leasehold Properties, which amounts to approximately £126,000 per annum as at the Valuation Date.

APPENDIX 3
INDEX OF PRINCIPAL DEFINED TERMS

REGISTERED AND HEAD OFFICE OF THE ISSUER
Blackwell House
Guildhall Yard
London EC2V 5AE

TRUSTEE
The Bank of New York
One Canada Square
48th Floor
Canary Wharf
London E14 5AL

SERVICER
Morgan Stanley Mortgage Servicing Limited
25 Cabot Square
Canary Wharf
London E14 4QA

AUDITORS TO THE ISSUER
BDO Stoy Hayward
8 Baker Street
London W1U 3LL

LEGAL ADVISERS

To the Managers and the Issuer
As to English and New York Law:
Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW

To the Trustee
As to English Law:
Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW

To the Managers
As to Jersey Law:
Carey Olsen
47 Esplanade
St. Helier
Jersey JE1 0BD

To the Issuer
As to English Law:
Denton Wilde Sapte
1 Fleet Place
London EC4M 7WS

CASH MANAGER, EXCHANGE AGENT, PRINCIPAL PAYING AGENT, AGENT BANK AND OPERATING BANK
HSBC Bank plc
Mariner House
Pepys Street
London EC3N 4DA

SUB-PAYING AGENT
HSBC Global Investor Services (Ireland) Limited
International House
20-22 Lower Hatch Street
Dublin 2
Ireland

DEPOSITORY AND REGISTRAR
HSBC Bank USA
452 Fifth Street
New York
New York 10018
USA

LISTING AGENT
Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA