OFFERING CIRCULAR

per pro SFM Directors Limited, as Director

per pro SFM Directors (No.2) Limited, as Director

£341,850,000

Bromios (European Loan Conduit No. 7) plc

(incorporated with limited liability in England and Wales)

Commercial Mortgage Backed Floating Rate Notes due 2006

Application has been made to the Irish Stock Exchange Limited (the "Irish Stock Exchange") for the £140,000,000 Class A1 Commercial Mortgage Backed Floating Rate Notes due 2006 (the "Class A1 Notes"), the £104,400,000 Class A2 Commercial Mortgage Backed Floating Rate Notes due 2006 (the "Class A2 Notes" and, together with the Class A1 Notes, the "Class A Notes"), the £22,200,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2006 (the "Class B Notes"), the £33,300,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2006 (the "Class C Notes"), the £31,600,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2006 (the "Class D Notes") and the £10,350,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2006 (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 Bromios (European Loan Conduit No. 7) 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 on the 30th 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 30th October, 2001. 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 (save, in the case of the first Interest Period, the linear interpolation of two- and three-month sterling deposits) 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 Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") and by Moody's Investors Services Inc. ("Moody's"). 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		Initial Principal Amount	Margin over LIBOR	Estimated Average Life	Expected Final Interest Payment Date	Maturity Date	Issue Price (1)
	Moody's	S&P						
A1	Aaa	AAA	£140,000,000	0.30 per cent.	1.0 years	30th July, 2002	30th July, 2006	100%
A2	Aaa	AAA	£104,400,000	0.40 per cent.	3.0 years	30th July, 2004	30th July, 2006	100%
B	Aa3	AA	£22,200,000	0.55 per cent.	2.4 years	30th July, 2004	30th July, 2006	100%
C	—	A	£33,300,000	0.90 per cent.	2.4 years	30th July, 2004	30th July, 2006	100%
D	—	BBB	£31,600,000	1.75 per cent.	2.4 years	30th July, 2004	30th July, 2006	100%
E	—	BB	£10,350,000	3.50 per cent.	2.4 years	30th July, 2004	30th July, 2006	100%

(1) *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 Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, 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 Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, 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 July 2006 (the "Maturity Date"), the Notes will be subject to mandatory or optional 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 and 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, Clearstream, Luxembourg and Euroclear (each as defined herein) on or about 16th August, 2001 (the "Closing Date") against payments therefor in immediately available funds. The Class E Notes are expected to trade in the Private Offerings, Resales and Trading through Automatic Linkages Market, also known as the Portal Market.

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

MORGAN STANLEY
(Joint Lead Manager and Book Runner)

LEHMAN BROTHERS
(Joint Lead Manager and Book Runner)

OFFERING CIRCULAR

Dexia Capital Markets ***NIB Capital Bank N.V.***

The date of this Offering Circular is 14th August, 2001

£341,850,000 Notes
of
Bromios (European Loan Conduit No. 7) plc

(incorporated with limited liability in England and Wales)

£140,000,000
Class A1 Commercial Mortgage Backed Floating Rate Notes due 2006

£104,000,000
Class A2 Commercial Mortgage Backed Floating Rate Notes due 2006

£22,200,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2006

£33,300,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2006

£31,600,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2006

£10,350,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2006

MORGAN STANLEY LEHMAN BROTHERS

Cockhedge Centre
Warrington

Fareham Shopping Centre
Hampshire

Hydro Agri Industrial Estate
Bristol

Thistle Chequers Hotel
Surrey

Thistle Moorgate Point,
Office Building

Fishergate Centre
Preston

Post House
York

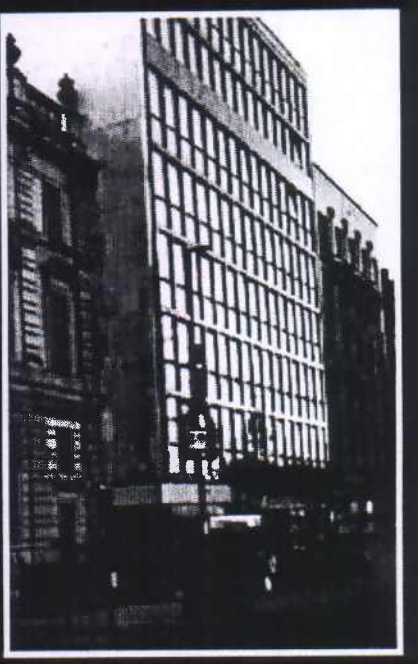
Euro Retail Park
Suffolk

Mayfair Place
London

Mayfair Place
London

20 Thayer St
London W1

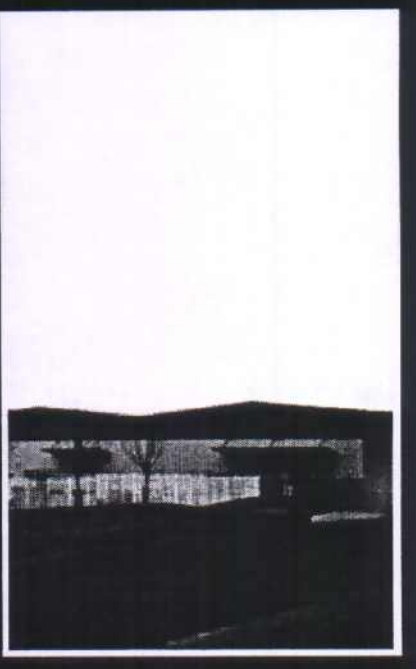
Mayfair Place
London



Phoenix House
Leeds

The Cockhedge Centre
Warrington

Cabot Park
Bristol



Rockingham Gate
Bristol

OFFERING CIRCULAR

£341,850,000

Bromios (European Loan Conduit No. 7) plc

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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 Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") and by Moody's Investors Services Inc. ("Moody's"). 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 Moody's	Expected Ratings S&P	Initial Principal Amount	Margin over LIBOR	Estimated Average Life	Expected Final Interest Payment Date	Maturity Date	Issue Price [1]
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[1] *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 Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, 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 Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, 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 July 2006 (the "Maturity Date"), the Notes will be subject to mandatory or optional redemption in certain circumstances. See "Terms and Conditions of the Notes — Redemption and Cancellation".

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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 and 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, Clearstream, Luxembourg and Euroclear (each as defined herein) on or about 16th August, 2001 (the "Closing Date") against payments therefor in immediately available funds. The Class E Notes are expected to trade in the Private Offerings, Resales and Trading through Automatic Linkages Market, also known as the Portal Market.

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

MORGAN STANLEY
(Joint Lead Manager and Book Runner)

LEHMAN BROTHERS
(Joint Lead Manager and Book Runner)

Dexia Capital Markets

NIB Capital Bank N.V.

The date of this Offering Circular is 14th August, 2001

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 Note (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 Note (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 The Chase Manhattan Bank, New York, 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) register a certificateless depository interest in respect of the other Rule 144A Global Note in the name of The Chase Manhattan Bank, London (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 and the certificateless depositary 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 Euroclear, Clearstream, Luxembourg or DTC, 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 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 the 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".

Subject as set out below, 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.

The information relating to the Principal Borrower (as defined below) has been accurately reproduced from information published by such Principal Borrower. So far as the Issuer is aware and is able to ascertain from information published by the Principal Borrower, no facts have been omitted which would render the reproduced information misleading.

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 Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, 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 "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 Loans (as defined below), and reflect significant assumptions and subjective judgments 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 UK. 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 and references to* "**euro**" *or* "**euros**" *or* "**Eur**" *are to the currency introduced at the commencement of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, as further amended from time to time.*

In connection with the distribution of the Notes, Morgan Stanley & Co. International Limited may over-allot or effect transactions which stabilise or maintain the market prices of the Notes at levels which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

TABLE OF CONTENTS

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

On the Closing Date the Issuer will issue the Notes and with the proceeds will acquire from MSDW Bank two loans (the "**Loans**") together with a beneficial interest in the Security Trusts created over the security granted in respect of those loans (together, the "**Loan Pool**"). The Loans were made to a number of different borrowers (each a "**Borrower**" and collectively the "**Borrowers**") and, as at 10th July, 2001 (the "**Cut-Off Date**"), had an outstanding aggregate principal amount of £341,850,000. One Loan was advanced to a group of affiliated Borrowers, each of whom is jointly and severally liable for such Loan, and the other Loan was advanced to a single borrower, being Watchover Limited, details of which are set out in Appendix 1 hereto. Both of the Loans provide for the relevant Borrower(s) to pay a fixed rate of interest and are governed by English law. Both of the Loans are denominated in sterling, are full recourse obligations of the related Borrower(s) and are secured by first legal mortgages over commercial properties given by a Borrower or a party related to the Borrower (each a "**Mortgagor**"). One Loan is secured over one property, and the other is secured over thirteen properties and to a limited extent (by way of a subordinated debenture) over the Property which acts as a security for the Loan made to Watchover Limited (the "**Properties**").

The terms of the credit agreements evidencing the Loans (each a "**Credit Agreement**") require each of the Borrowers or Mortgagors to establish an account (each a "**Rent Account**") into which net rents payable by the tenants occupying the relevant Property or Properties are to be paid. On or shortly after each payment date under the Loans, the Security Trustee, acting upon the instructions of the Servicer, will, to the extent the funds are available, transfer from each Rent Account to an account denominated in sterling with AIB Group (UK) plc in the name of the Issuer (the "**Transaction Account**") all amounts due from the Borrowers under the relevant Credit Agreement. On each interest payment date under the Notes, 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, *inter alia*, of interest due on the Notes or, where applicable, in repayment of principal.

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

The Issuer and the Swap Provider have agreed that, upon a downgrade of the Swap Guarantor, they will, subject to the provisions of the Swap Agreement, enter into a collateral agreement pursuant to which the Swap Provider may be required to transfer collateral to an account in the name of the Issuer in support of the obligations of the Swap Provider.

The obligations of the Issuer under the Notes and to other secured parties will be secured pursuant to a deed of charge and assignment governed by English law. The Issuer will create, *inter alia*, (a) an assignment by way of security of the Loans and the Issuer's rights under the Credit Agreements and an assignment by way of security over the Issuer's beneficial interest in the trust over the Related Security (as defined in "The Loans — The Loan Security"), (b) an assignment by way of security of the Issuer's rights under certain contracts entered into pursuant to this transaction, (c) an assignment by way of security of the Issuer's interests in the Transaction Account and certain other accounts in which the Issuer may place and hold cash and (d) 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 assets in the Issuer as security for any future payments of interest or principal on the Notes.

The Parties

Issuer	Bromios (European Loan Conduit No. 7) plc (the "**Issuer**"), a public company incorporated on 11th July, 2001 in England and Wales with limited liability under registration number 4250567.
Originator	The Loans were 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 (in such capacity, "**MSMS**" or the "**Security Trustee**") holds all the security granted by each Borrower or Mortgagor on trust (the security trust in respect of each Borrower or Mortgagor is referred to as a "**Security Trust**" and, together, the "**Security Trusts**") as security for the liabilities (being liabilities under a Loan and related finance documents to, *inter alios*, MSDW Bank, the Security Trustee and their respective successors and assigns). The beneficiary of the Security Trusts was originally MSDW Bank and will be, in accordance with the provisions of the Loan Sale Agreement, the Issuer.
Trustee	J.P. Morgan Trustee and Depositary Company Limited (the "**Trustee**") will act as trustee for the holders of the Notes 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	Morgan Stanley Mortgage Servicing Limited (in such capacity, "**MSMS**" or the "**Servicer**"), 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 respect of the Loans 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 Portfolio Loan and the Mayfair Place Loan (each as defined below) where the Interest Cover Percentage is less than 105 per cent. (in the case of the Portfolio Loan) or less than 100 per cent. (in the case of the Mayfair Place Loan) on, amongst other dates, each Loan Payment Date (as defined below). If so appointed, the Special Servicer will become responsible, save for certain limited exceptions, for servicing and administering the relevant Loan and Related Security. The Special Servicer will, subject to the terms of the Servicing Agreement, receive (i) a fee in respect of each Specially Serviced Loan in an amount equal to 0.15 per cent. per annum (exclusive of VAT) of the principal amount outstanding under the Specially Serviced Loan (the "**Special Servicer Fee**"); and (ii) a liquidation fee in respect of a Specially Serviced Loan of an amount not exceeding 1 per cent. (exclusive of VAT) of the proceeds (net of costs and expenses of sale), if any, arising on the sale of a Property in respect of such Specially Serviced Loan (the "**Liquidation Fee**").
Principal Paying Agent, Cash Manager, Agent Bank and Exchange Agent	AIB International Financial Services Limited (in such capacities, the "**Principal Paying Agent**", the "**Cash Manager**", the "**Agent Bank**" and the "**Exchange Agent**", respectively).
Paying Agent and Operating Bank	AIB Group (UK) plc (the "**Paying Agent**" and, together with the Principal Paying Agent, the "**Paying Agents**" and the "**Operating Bank**", respectively).

Depository and Registrar	The Chase Manhattan Bank, New York office (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 (the "**Corporate Services Agreement**"), provide certain services to the Issuer.
Share Trustee	SFM Corporate Services Limited (the "**Share Trustee**") will, pursuant to the charitable declaration of trust constituting the European Loan Conduit No. 7 Securitisation Trust (the "**Declaration of Trust**"), provide certain services as trustee of the European Loan Conduit No. 7 Securitisation Trust.
Swap Provider and the Swap Agreement	Morgan Stanley Capital Services Inc. ("**MSCS**" or the "**Swap Provider**", which term shall, where the context so permits, include any replacement swap provider), whose principal office is located at 1585 Broadway, New York, New York 10036, USA, will enter into a 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 "**Swap Agreement**", which term shall include, where the context so permits, any replacement swap agreement) with the Issuer. The Issuer and the Swap Provider will, on or prior to the Closing Date, enter into a swap confirmation (the "**Swap Confirmation**") evidencing the terms of a swap transaction (the "**Swap Transaction**") to be entered into pursuant thereto in order to protect the Issuer against interest rate risk in respect of the Loans and the Notes. See further "Credit Structure — The Swap Agreement". The Issuer and the Swap Provider have agreed, upon a downgrade of the short-term, unsecured, unsubordinated debt obligations of the Swap Guarantor, and subject to the provisions of the Swap Agreement, to enter into a collateral agreement in the form of an ISDA Credit Support Document in a form acceptable to the Issuer (the "**Swap Agreement Credit Support Document**") pursuant to which the Swap Provider will make transfers of collateral in support of its obligations under the Swap Agreement. See further "Credit Structure — Swap Agreement Credit Support Document to be entered into upon Swap Guarantor Downgrade".
Swap Guarantor	Morgan Stanley Dean Witter & Co. ("**MSDW**" or the "**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 "**Swap Guarantee**"), guarantee all of the Swap Provider's obligations under the Swap Agreement and the Swap Transaction.
Liquidity Facility Provider and Liquidity Facility Agreement	Barclays Bank PLC ("**Barclays**"), acting through its branch at 54 Lombard Street, London EC3V 9EX, 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 £25,000,000 (such amount being subject to reduction in certain specified circumstances) among the Liquidity Facility Provider, the Issuer and the Trustee. 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 received from Borrowers in respect of particular loans ("**Interest Drawings**"), 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, 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**").

The Liquidity Facility Agreement will be a 364 day committed loan facility which may, at the discretion of the Liquidity Facility Provider, be renewed until the earlier of July 2006 or the date on which the principal balances of both Loans have been reduced to zero. In the event of a downgrade of the Liquidity Facility Provider or the refusal of the Liquidity Facility Provider to renew the Liquidity Facility Agreement, the entire undrawn commitment under the Liquidity Facility Agreement will be available to be drawn by the Issuer and shall be deposited into a designated bank account of the Issuer with an appropriately rated bank.

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

The Loans

The Loan Pool The Loan Pool consists of two Loans, one in the amount of £181,850,000 (the "**Portfolio Loan**") and the other in the amount of £160,000,000 (the "**Mayfair Place Loan**"), both of which are full recourse obligations of the relative Borrowers and are secured by first priority mortgages on commercial properties of which 47.4 per cent. are on office properties, 34.9 per cent. are on retail property, 5.2 per cent. are on land, 4.7 per cent. are on industrial property, 4.2 per cent. are on retail warehouse and 3.6 per cent. are on ground rents, in each case by property values (calculated by reference to the relevant Initial Valuations). The Portfolio Loan is secured on thirteen properties and (to a limited extent and by way of a debenture ranking in priority after the security granted to secure the Mayfair Place Loan) over the Property which is security for the Mayfair Place Loan, and the Mayfair Place Loan is secured over one Property; all of the Properties are located in England.

The following is a summary of certain characteristics of each Loan:

Portfolio Loan Cut-Off Date Balance	£181,850,000
Mayfair Place Loan Cut-Off Date Balance	£160,000,000
Portfolio Loan Number of Properties	13
Mayfair Place Loan Number of Properties	1
Portfolio Loan Cumulative Property Value	£235,750,000
Mayfair Place Loan Cumulative Property Value	£200,000,000
Portfolio Loan Rate	6.99%
Mayfair Place Rate	6.55%
Portfolio Loan Margin	1.20%
Mayfair Place Loan Margin	1.00%
Portfolio Loan Last Payment Date	23rd July, 2004
Mayfair Place Loan Last Payment Date	25th July, 2002
Portfolio Loan Cut-Off Date ICR	111%
Mayfair Place Loan Cut-Off Date ICR	100%
Portfolio Loan Last Payment Date ICR	119%
Mayfair Place Loan Last Payment Date ICR	118%
Portfolio Loan Cut-Off Date LTV	76.2%
Mayfair Place Loan Cut-Off Date LTV	80.0%

Portfolio Loan Balloon LTV	72.2%
Mayfair Place Balloon LTV	80.0%

See further "The Loan Pool" below.

Valuations ..... In relation to both Loans, prior to making the initial advance, MSDW Bank obtained an independent valuation of the Property or Properties charged as security therefor as a condition precedent to the making of such advance thereunder to the relevant Borrower (each a "**Initial Valuation**"). Other than in the context of Appraisal Reductions, no further independent valuations of the Property or Properties will be obtained and accordingly all references herein to valuations (including LTVs and property values) shall, except as otherwise stated, be construed as references to the Initial Valuations.

The Borrowers ..... The Portfolio Loan was advanced to 12 affiliated companies (the "**Portfolio Borrowers**"), each of whom is jointly and severally liable for such Loan. The Portfolio Loan accounted for approximately 53.2 per cent. of the Loan Pool as at the Cut-Off Date.

The Mayfair Place Loan was advanced to a single borrower, Watchover Limited (the "**Mayfair Place Borrower**" or the "**Principal Borrower**"). The Mayfair Place Loan accounted for approximately 46.8 per cent. of the Loan Pool as at the Cut-Off Date.

The Mayfair Place Loan Property was additionally valued by DTZ Debenham Tie Leung ("**DTZ**") as at 7th August, 2001. A copy of DTZ's valuation certificate is set forth in Appendix 2 hereto.

See "The Borrowers" herein and, with respect to the Mayfair Place Borrower, see also "Appendix 1 — The Principal Borrower" and "Appendix 2 — Valuation Report Relating to the Principal Borrower" hereto.

Payments on the Loans ..... As at the Cut-Off Date, no payments have been made in respect of the Loans, however, as of the date of this Offering Circular a first scheduled payment has been made in respect of both Loans. Both of the Loans were current as at the Cut-Off Date. The Loans are repayable in full at their respective final maturity dates. There is no contractual provision for any mandatory partial repayment or amortisation prior to the scheduled final repayment dates, although there is a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full. Both of the Loans are prepayable, in part or in full, on any Loan Payment Date, subject to payment of an Exit Fee (as defined below).

Representations and Warranties ..... The Loan Sale Agreement (the "**Loan Sale Agreement**") pursuant to which the Issuer will purchase the Loans and the beneficial interests in the Security Trusts from MSDW Bank contain certain warranties given by MSDW Bank in respect of the Loans and the Related Security, which are summarised in "The Loans and the Related Security — Representations and Warranties". MSDW Bank will be required to repurchase any Loan and its Related Security in respect of which there has been a material breach of warranty by MSDW Bank and such breach (if capable of remedy) has not been remedied within the time specified in the Loan Sale Agreement.

The Loan Security ..... With respect to both of the Loans, each Borrower and (if different) each Mortgagor has executed a debenture over all its assets in favour of the Security Trustee as security for such Borrower's obligations under the applicable Loan and other liabilities owing from time to time to the lender (the "**Debentures**"). In some circumstances, a

Borrower and the related Mortgagor will be the same legal entity. In other circumstances, a Borrower and the related Mortgagor will not be the same legal entity; in such cases the Mortgagor will be the owner of the relevant Property and may be a subsidiary or associated company of such Borrower. Alternatively, nominee companies may hold a Property as bare trustees for a Borrower or a subsidiary or associated company of a Borrower. As referred to above, where a Property is owned by a Mortgagor, the Mortgagor has executed a separate Debenture. Each Debenture incorporates a first charge over the relevant Property by way of legal mortgage where the Mortgagor holds the legal interest. The security for each Loan also includes the benefit of a subordination agreement under which any other debt of the relevant Borrower is subordinated to the lender (a "**Subordination Agreement**"), a duty of care agreement from the managing agent of the relevant Property or Properties (a "**Duty of Care Agreement**") and a charge over shares of the relevant Borrower (a "**Share Charge**"). The Debentures, Subordination Agreements, Duty of Care Agreements, Share Charges and/or any other security (the beneficial interest in the trust over which is to be acquired on the Closing Date by the Issuer) are referred to herein as the "**Related Security**".

Further Advances ..... Neither of the Loans contains an obligation upon MSDW Bank and, therefore, the Issuer to make any further advance to a Borrower. The Servicer is not permitted under the Servicing Agreement, subject to the terms of the Servicing Agreement, to agree to an amendment of the terms of a Loan that would require the Issuer to make a further advance to a Borrower.

Insurance ..... Each Property is either (a) covered by a buildings insurance policy maintained by the relevant Borrower or another person with an appropriate insurable interest in the relevant Property or (b) owned by a Borrower or leased to a tenant which is a Self-Insured Entity (as defined below). In the case of (a), 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). For a more detailed description of the insurance arrangements and the risks in relation thereto see "Risk Factors — Insurance".

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 *pari passu* among themselves and together will rank in priority to the Class B Notes, the Class B Notes will rank in priority to the Class C Notes, the Class C Notes will rank in priority to the Class D Notes, and the Class D Notes will rank 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 Despository in global form, the Depository will be deemed for all purposes to be the owner of such Notes and shall be entitled to receive all principal, premium (if any), interest and other amounts payable in respect of

the Notes but shall, for the purposes of forming a quorum for meetings, 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 shall have regard only to the interests 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 the holders of the Notes will be limited to the Issuer Security (as defined below). 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 such holders or certain of such holders. See "Security for the Notes" below.

Interest ..... Each Note will bear interest on its Principal Amount Outstanding (as defined in Condition 6(*f*)) from, and including, the Closing Date. Interest will be payable in respect of the Notes in pounds sterling quarterly in arrear on the 30th day in January, April, July and October in each year or, if such day is not a Business Day, the next following Business Day (each such day being an "**Interest Payment Date**"). The first Interest Payment Date in respect of each class of Notes will be 30th October, 2001.

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 (save, in the case of the first Interest Period, the linear interpolation of two- and three-month sterling deposits) plus the Relevant Margin. The "**Relevant Margin**" in respect of each class of Notes will be:

Class	***Relevant Margin***
A1	*0.30 per cent. per annum*
A2	*0.40 per cent. per annum*
B	*0.55 per cent. per annum*
C	*0.90 per cent. per annum*
D	*1.75 per cent. per annum*
E	*3.50 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.

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 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 and, in the case of the Class D Notes and the Class E Notes, subject as described below, 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. The Issuer's obligation to pay interest in respect of the Class D Notes and 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 Adjusted Interest Amount (as defined in Condition 5(*i*)).

Principal Amount Outstanding ..... The Principal Amount Outstanding of a Note on any date will be its face amount less (a) the aggregate amount of principal payments that have been paid in respect of that Note and (b) an amount equal to the sum of Applicable Principal Losses applied to that 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 July 2006 (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 exercising its right to purchase Loans in certain limited circumstances pursuant to the Servicing Agreement. The obligations of the parties under the Swap Agreement will terminate proportionally as the Notes are redeemed. See further "Terms and Conditions of the Notes — Condition 6*(b)*".

Optional Redemption in Full ..... The Notes will be subject to redemption in full, but not in part, at the option of the Issuer 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 or (ii) by virtue of a change in law any amount payable by the Borrowers in relation to any of the Loans is reduced or ceases to be receivable (whether or not actually received);

(b) if the aggregate Principal Amount Outstanding of all the Notes then outstanding is less than 10 per cent. of the initial Principal Amount Outstanding of all the Notes issued on the Closing Date and the Issuer exercises its right to redeem the Notes; or

(c) if a Tax Event (as defined below) occurs under the Swap Agreement and (i) the Swap Provider is unable to transfer its rights and obligations thereunder to another branch, office, affiliate or suitably rated third party to cure the Tax Event, and (ii) the Issuer is unable to find a replacement swap provider (the Issuer being obliged to use its best efforts to find a replacement swap provider),

provided further that in each case the Issuer has certified to the Trustee that it 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. See further "Terms and Conditions of the Notes — Conditions *6(c)*, *6(d)* and *6(e)*".

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

Expected Rating

Class	***Moody's***	***S&P***
A1	Aaa	AAA
A2	Aaa	AAA
B	Aa3	AA
C	N/A	A
D	N/A	BBB
E	N/A	BB

The Class C, Class D and Class E Notes will not be rated by Moody's.

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 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 relevant Maturity Date and do not address the likelihood of receipt by any Noteholder of principal prior to the relevant 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 unsecured, unsubordinated debt ratings of the Liquidity Facility Provider and the Swap Guarantor. Consequently, a downgrade, withdrawal or qualification 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 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 see "Transfer Restrictions".

Further Issues, new issues ..... The Issuer will be entitled (but not obliged) at its option from time to time on any date, without the consent of the Noteholders (but subject to the satisfaction of certain conditions including that the then current rating of the Notes are not adversely affected by the proposed issue), to raise further funds by the creation and issue of further Class A1 Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes ("**further Notes**") which will carry the same terms and conditions in all respects (save as regards the first Interest Period, the first Interest Payment Date and the first Interest Amount) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the corresponding class of Notes issued on the Closing Date and/or further notes of a new class which carry terms which differ from any existing class of Notes and which do not form a single series with any existing class of Notes ("**New Notes**").

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, Clearstream, Luxembourg and Euroclear.

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 Borrowers under the Loans 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 payment date under the Credit Agreements (each a "**Loan Payment Date**"), the Security Trustee, acting on the instructions of the Servicer, will, to the extent funds are available, transfer from each Borrower's Rent Account to the Transaction Account an amount in respect of interest, principal and fees and other amounts then due and payable on the Loans. 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 any Exit Fees), breakage costs, expenses, commissions and other sums paid by Borrowers in respect of the Loans or the Related Security (other than any payments in respect of principal) including recoveries in respect of such amounts on enforcement of a Loan or Related Security;

(b) "***Prepayment Redemption Funds***", comprising all payments in respect of principal (other than any Exit Fees) received as a result of (i) any prepayment in part or in full prior to the scheduled final maturity date of the relevant Loan, (ii) the repurchase of a Loan by MSDW Bank pursuant to the Loan Sale Agreement or the purchase of a Loan by the Servicer pursuant to the Servicing Agreement and (iii) insurance payments in respect of principal (other than amounts to be paid to the Borrower or used to reinstate the relevant Property);

(c) "***Final Redemption Funds***", comprising all principal payments (other than any Exit Fees) received as a result of the repayment of a Loan upon its scheduled final maturity date;

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

(e) "***Exit Fees***", comprising all fees and costs received as a result of the repayment or termination of any Loan, including any such fees arising from a prepayment following the enforcement of a Loan. Exit Fees shall not be included in the calculation of Borrower Interest Receipts at any time. Exit Fees received during any Collection Period (collectively, the "**Exit Amount**" in respect of that Collection Period) shall be paid to MSDW Bank (or, in the event that the right to the Exit Fees has been assigned to a third party, to the person then entitled to the Exit Fees) on the immediately following Interest Payment Date as a component of the Deferred Consideration (as defined herein) then payable.

Payments out of the Swap Collateral Cash Account and the Swap Collateral Custody Account prior to Enforcement of the Notes ..... If the Swap Agreement Credit Support Document is entered into and the Swap Collateral Cash Account (as defined herein) and/or the Swap Collateral Custody Account (as defined herein) opened, the Cash Manager will pay to the Swap Provider amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account and/or amounts equivalent to distributions received on securities held in the Swap Collateral Custody Account as well as any other payments required to be made by the Issuer in accordance with the terms of the 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 may, 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 Prepayment Redemption Funds, Final Redemption Funds and Principal Recovery 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 Swap Provider, MSDW Bank, the Cash Manager, the Corporate Services Provider, the Trustee, the Share Trustee, the Principal Paying Agent, the 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, including costs, expenses, fees and indemnity claims due and payable to any receiver appointed by or on behalf of the Security Trustee in respect of a Loan or its Related Security;

(ii) out of Borrower Interest Receipts, when due, any amount of interest payable by the Issuer to MSDW Bank pursuant to the Loan Sale Agreement (such amounts, together with any amounts described in item (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 pursuant to the Loan Sale Agreement ("**Principal Priority Amounts**").

Revenue Priority Amounts and/or Principal Priority Amounts payable to MSDW Bank will occur where there has been a breach of warranty under the Loan Sale Agreement and MSDW Bank has consequently repurchased the relevant Loan. Revenue Priority Amounts (as described in (ii) above) and Principal Priority Amounts are any moneys received by the Issuer following the repurchase of the Loan which do not belong to the Issuer, notwithstanding that following the repurchase of the Loan the Security Trustee will operate the Rent Account of the relevant Borrower in favour of MSDW Bank. The funds received by the Issuer on the repurchase of a Loan by MSDW Bank 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*).

(b) ***Available Interest Receipts***..... On each Interest Payment Date prior to the service of a Note Enforcement Notice, the Issuer will make any relevant payment then due and payable pursuant to the Swap Agreement. Then, on each such Interest Payment Date, (i) all Borrower Interest Receipts transferred by or at the direction of 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 Swap Agreement on such date); (ii) any payments (other than any amounts by way of collateral pursuant to the Swap Agreement Credit Support Document) received by the Issuer under the Swap Transaction or the Swap Guarantee (less amounts received by the Issuer on termination of a Swap Transaction following the prepayment or enforcement of a 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 (each as defined below), (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 payment or discharge to or towards any amounts due and payable by the Issuer on such Interest Payment Date (as defined in Condition 5(*b*)) to (A) the Trustee, the Security Trustee and any receiver appointed under a Loan or its 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 (other than in respect of the Servicer Fee or the Special Servicer Fee) due to the Servicer and the Special Servicer pursuant to the Servicing Agreement and, until the date on which the aggregate Principal Amount Outstanding of the Notes (after deduction of any Applicable Principal Losses and after providing for all amounts to be applied in redemption of the Notes or any class thereof on such Interest Payment Date) is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, to the Servicer and/or any substitute servicer in respect of the Servicing Fee under the Servicing Agreement; and to the Special Servicer, *pari passu*, in respect of the Special Servicer 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 Swap Provider under the Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of the 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 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 Master Definitions Agreement) up to a maximum aggregate amount of 0.125 per cent. per annum as provided in the Liquidity Facility Agreement;

(ii) in payment or discharge to or towards 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) *pari passu* and *pro rata*, (1) in payment or discharge to or towards interest due and interest overdue (and any interest due on such overdue interest) on the Class A1 Notes and (2) in payment or discharge to or towards interest due and interest overdue (and any interest due on such overdue interest) on the Class A2 Notes;

(iv) in payment or discharge to or towards interest due and interest overdue (and any interest due on such overdue interest) on the Class B Notes;

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

(vi) in payment or discharge to or towards interest due on the Class D Notes;

(vii) in payment or discharge to or towards interest due on the Class E Notes;

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

(ix) in payment or discharge to or towards any amounts due to the Special Servicer in respect of any Liquidation Fee;

(x) to or towards 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;

(xi) if, on such Interest Payment Date, the aggregate Principal Amount Outstanding of the Notes (after deduction of any Applicable Principal Losses and after providing for all amounts to be applied in redemption of the Notes or any class thereof on such Interest Payment Date) is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date to or towards payment of the Servicing Fee;

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

(xiii) any surplus to the Issuer.

(c) ***Available Principal*** ..... The Cash Manager shall, on the basis of information provided to it by the Servicer, calculate on each Calculation Date in respect of the Collection Period then ended (1) the Available Principal Recovery Funds (as defined in Condition 6(*b*)) and (2) the Sequential Percentage and the Pro Rata Percentage (each as defined below) of each of the Available Prepayment Redemption Funds and the Available Final Redemption Funds (each as defined in Condition 6(*b*)).

The "**Sequential Percentage**" is equal to (a) 65 per cent. of any Available Prepayment Redemption Funds and Available Final Redemption Funds received from the Mayfair Place Loan, and (b) 100 per cent. of any Available Prepayment Redemption Funds and Available Final Redemption Funds received from the Portfolio Loan (but in any case excluding a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full). The "**Pro Rata Percentage**" is equal to 35 per cent. of the Available Prepayment Redemption Funds and the Available Final Redemption Funds received from the Mayfair Place Loan.

The sum of (1) the Sequential Percentage of any Available Prepayment Redemption Funds and Available Final Redemption Funds and (2) any Available Principal Recovery Funds, as calculated on each Calculation Date, is collectively referred to as the "**Sequential Available Principal**" for the purposes of the Interest Payment Date immediately following such Calculation Date.

The sum of (1) the Pro Rata Percentage of any Available Prepayment Redemption Funds and Available Final Redemption Funds and (2) a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full, as calculated on each Calculation Date, is collectively referred to as the "**Pro Rata Available Principal**" (and, together with the Sequential Available Principal, the "**Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date.

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 principal on the Class A1 Notes until all of the Class A1 Notes have been redeemed in full;

(ii) secondly, in repaying principal on the Class A2 Notes until all of the Class A2 Notes have been redeemed in full;

(iii) thirdly, in repaying principal on the Class B Notes 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.

Following application of the Sequential Available Principal as set forth immediately above, Pro Rata 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, 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 (as defined herein) of each such Class after application of the Sequential Available Principal (or in the case of the Class A Notes, in proportion to the sum of the Principal Amount Outstanding of the Class A1 and Class A2 Notes after application of the Sequential Available Principal), until each such Note has been redeemed in full, *provided, however*, that any payments to the Class A Notes shall be applied in the following order of priority:

(i) first, in repaying principal on the Class A1 Notes until all of the Class A1 Notes have been redeemed in full, and

(ii) second, in repaying principal on the Class A2 Notes until all of the Class A2 Notes have been redeemed in full.

Any excess Available Principal remaining after application of the Sequential Available Principal and Pro Rata 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 shall 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".

Security for the Notes

The obligations of the Issuer to the Noteholders and to each of the Trustee, the Security Trustee, the Corporate Services Provider, the Share Trustee, the Servicer, the Special Servicer, the Cash Manager, the Liquidity Facility Provider, the 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 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 Loans and the Issuer's rights under the Credit Agreements;

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

(iii) an assignment by way of security over the Issuer's interest in the Related Security not otherwise assigned by way of security under (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 Swap Agreement (subject to netting and set-off provisions contained therein), the Swap Guarantee, the Swap Agreement Credit Support Document (if and when executed), the Depository Agreement, the Exchange Rate Agency Agreement and the Master Definitions Agreement;

(v) an assignment by way of security of the Issuer's interests in the Transaction Account, the Swap Collateral Cash Account (if and when opened), the 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 any property or assets of the Issuer subject to an effective fixed security set out in paragraphs (i) to (v) above).

Upon enforcement of the Issuer Security, the amounts payable to the Secured Parties (other than the Noteholders) will rank 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 Special Servicer as described in item (vii) 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 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, 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 shall be extinguished, and (iii) if a shortfall in the amount owing in respect of principal of the Notes of any class exists on the applicable Maturity Date of the Notes of any class, after payment on the Maturity Date of all other claims ranking in priority to the Notes or the relevant class of Notes, 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 shall cease and all claims in respect of such shortfall shall 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. 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 Loans, the Related Security, the Properties and other associated matters (see further "The Loans and the Related Security — Representations and Warranties").

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 Swap Provider, the Swap Guarantor, 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 Swap Provider, the Swap Guarantor, 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.

Limited recourse

On enforcement of the security for the Notes, the Trustee and the Noteholders will only have recourse to the Loans and 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 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 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 Loans and the Related Security — Representations and Warranties").

The Issuer's ability to meet its obligations under the Notes — default by Borrowers

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Borrowers under the Loans and the Related Security, payments under the Swap Agreement and, where necessary and applicable, the Liquidity Facility Agreement. If, on default by the Borrowers and following the exercise by the Servicer and Special Servicer of all available remedies in respect of the Loans and the Related Security, the Issuer does not receive the full amount due from the Borrowers, 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.

All of the Borrowers (with the exception of Burford (Fareham) Limited being one of the twelve Borrowers under the Portfolio Loan; see "The Borrowers" below) were incorporated for the purposes of acquiring the legal and/or beneficial interests in the property charged as security for the loan to them, or for acquiring the entire issued share capital in other companies owning the legal and/or beneficial interest in such properties. In all cases, the Borrower has no material liabilities (other than such as are fully subordinated pursuant to a formal subordination agreement) save in relation to the Property which is security for the related loans.

Each Loan contains provisions requiring the relevant Borrower to make a full repayment of principal on the final maturity date of the relevant Loan. The Borrower's ability to repay the full principal amount on final maturity may be dependent upon its ability to refinance its Loan or to sell the Property financed by that Loan. Neither the Issuer nor MSDW Bank is under any obligation to provide any such refinancing and there can be no assurance that a Borrower would be able to refinance its Loan or that a Borrower/Mortgagor would be able to sell its Property.

Failure by a Borrower to refinance the relevant Loan at final maturity may result in the relevant Borrower defaulting on such Loan. In the event of such a default, 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 Loans will be secured by, amongst other things, mortgages over the Properties and the payment of interest on each Loan is dependent on the ability of the applicable property 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 to a Property itself, such as: (i) the age, design and construction quality of the Property; (ii) perceptions regarding the safety, convenience and attractiveness of the Property; (iii) the proximity and attractiveness of competing properties; (iv) the adequacy of the Property's management and maintenance; (v) increases in operating expenses; (vi) an increase in the capital expenditures needed to maintain the Property 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, 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 retail space or office space); (iii) demographic factors; (iv) consumer confidence; (v) consumer tastes and preferences; (vi) retrospective changes in building codes or other regulatory changes; (vii) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (viii) potential environmental legislation or liabilities or other legal liabilities; (ix) the availability of refinancing; and (x) changes in interest rate levels or yields required by investors in income-producing residential and commercial properties.

In particular, a decline in the 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 rates of delinquency or defaults.

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 relevant Borrower to default on its Loan.

The Issuer's ability to meet its obligations under the Notes — the tenants

A Borrower's ability to make its payments under a Loan may also be dependent on payments being made by the tenants of the relevant Property. Where a Borrower or 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. The terms of many of the tenancies, however, specifically exclude such tenants right of set-off. In respect of a multi-tenanted Property, a Borrower or Mortgagor would normally be obliged to provide services in respect of the Property irrespective of whether certain parts of the Property are unlet. The Borrower or 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 ensure that it receives rent payments from the tenants, MSDW Bank has structured the Loans so that rent payments are made, either directly or through a managing agent account or other account, to Rent Accounts charged to the Security Trustee for MSDW Bank and controlled by MSMS (in its capacity as Security Trustee). Each Borrower or Mortgagor has agreed not to countermand or vary the instructions as to rent payments. In the case of Loans in respect of which no managing agent has been appointed (or where the managing agent is associated with the relative Borrower/Manager), tenants have been notified that payments are to be made into an account charged to the Security Trustee for MSDW Bank. However, for business reasons, where an independent managing agent is appointed tenants are not advised of the existence of the Rent Accounts, and MSDW Bank relies upon such managing agent to collect rents and ensure that they are credited to the Rent Accounts.

Following the Closing Date, in relation to those Loans where tenants are not required to make rent payments directly into Rent Accounts (i.e. those where an independent managing agent collects the rent and pays it into the Rent Accounts), there may be a risk of a Borrower or Mortgagor, in breach of its Loan and 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.

The purchase of the Loans and of the beneficial interests in the Security Trusts 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 Accounts. On the Closing Date, the Issuer's beneficial interests in the Security Trusts (which includes its interest in the Rent Accounts) will be assigned by way of security to the Trustee. See "The Structure of the Accounts".

The charges over the Rent Accounts are expressed to be fixed charges. However, under English law, whether or not a charge over book debts, such as the Rent Accounts, is fixed or floating will depend on the circumstances of the case, and it is possible that such charges will take effect only as floating charges. The Rent Accounts have been structured with a view to ensuring that the Security Trustee will have sole control over the operation of these accounts, thereby increasing the likelihood that the charge will take effect as a fixed charge. Following the purchase by the Issuer of the Loans and the Related Security on the Closing Date, the Security Trustee will be entitled to withdraw amounts from each Rent Account to meet the interest, principal and other amounts due to the Issuer from the relevant Borrower on each Loan Payment Date.

The terms of the tenancies might affect the realisable value of the Properties on enforcement. Each Loan provides that no lease may be granted to the Borrower thereunder (or an affiliate of the Borrower) without MSMS's consent (although part of a Property at 20 Thayer Street, London W1 which has been valued at £4,000,000 is currently let to an affiliate of one of the Borrowers). In respect of the Properties, granting or assigning a lease to any other entity is otherwise unrestricted to the extent permitted by Section 99 of the Law of Property Act 1925 (broadly, this section allows the grant of leases at market rent for terms of up to 50 years). Each Loan also provides that such lease should be granted on normal commercial terms.

In the case of leasehold Properties (or leasehold parts of Properties) which are sublet (by a Borrower or Mortgagor), 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 relevant Borrower or Mortgagor 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. 0.5 per cent. of the Properties by property value are leasehold properties, 34.9 per cent. of the Properties by property value are part leasehold and part freehold properties, and 64.6 per cent. of the Properties by property value are freehold properties.

The tenant of the 7th floor of the Mayfair Place Loan Property is in administration. The tenancy is subject to a rent free period which expires in October 2001 and as a result there is no immediate impact on rental cashflow, however there is a possibility that (following the expiry of the rent free period) the rent will not be paid and that the lease may be forfeited or terminated. As a result it has been assumed for the purposes of calculation of the rental cashflow that the relevant floor is currently vacant and that it will be re-let in December 2001 at the estimated rental value. The relevant part of the Mayfair Place Loan Property comprises, as at the Cut Off Date, approximately 11 per cent. of the rental cashflow for the Mayfair Place Loan (and approximately 5 per cent. of the rental cashflow for the Loan Pool as a whole) (on the assumption that all rent free periods granted to tenants have expired).

The Portfolio Loan contains an obligation for the Security Trustee to pay rents due under each Headlease pursuant to which the relevant Mortgagors/Property Owners derive title to a property from monies standing to the credit of the Rent Account. If the Security Trustee fails to pay such rents then it may incur liability to the relevant Mortgagor/Property Owner arising out of such non-payment.

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 relevant Borrower in respect of such Property to default on its Loan.

Property Owners' liability to provide services

Parts of certain properties are not intended to be let to tenants, but instead comprise areas such as service ways, public arcades 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 ("**common parts**"). Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining the common parts 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 parts. The contribution forms part of the service charge payable to the landlord (in addition to the principal rent) in accordance with the terms of the relevant tenancy.

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 their own monies service charge contributions in respect of any vacant units.

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, whilst 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.

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by, *inter alios*, 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 by the English lawyers to MSDW Bank.

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 relevant Borrower's or Mortgagor's and the tenants' proprietary interests in the Property (or part thereof) at the time of the related purchase. 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 or Mortgagor (as applicable) under the relevant tenancy. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold, heritable 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, 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 relevant Borrower has other funds available to it, an event of default may occur under the relevant 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, such prepayment being used by the Issuer to redeem the Notes (or part thereof).

Frustration

A tenancy could, in exceptional circumstances, be frustrated under English law. Frustration may occur where superseding events radically alter the continuance of a tenancy for a party thereto, so that it would be inequitable for such a tenancy to continue.

Risks relating to loan concentration

The Mortgage Pool consists of two Loans. The Mayfair Place Loan secures one Property, which Property comprises 46.80 per cent. of the principal balance of the Loan Pool as of the Cut-Off Date. In addition, with respect to the Portfolio Loan, three Properties secured by the Portfolio Loan account for 64.48 per cent. of the principal balance of the Portfolio Loan as of the Cut-Off Date. The three properties are the Fareham Shopping Centre, Fareham, Hampshire; The Fishergate Centre, Preston, Lancashire; and the Cockhedge Centre and Townhill, Warrington, Cheshire. Therefore, any losses on the these three Properties will have a proportionately large effect on the Portfolio Loan. As there are only two Loans, losses on either Loan may have a substantial adverse effect on the ability of the Issuer to make payments under the Notes. Details of the Borrowers and the Mortgage Pool are set out in "The Borrowers" and "The Loan Pool", respectively, herein.

In addition, 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 loans secured by such Properties. Details of the location of the various Properties are set out in "The Loan Pool".

Principal Losses

The Principal Amount Outstanding of each class of Notes shall be reduced by the corresponding amount of Applicable Principal Losses that are applied against each class of Notes. The relevant Noteholders will have no claim against the Issuer in respect of the amount by which the Principal Amount Outstanding of such Notes has been reduced. See "Terms and Conditions of the Notes".

Prepayment Risk

A high prepayment rate in respect of the Loans may result in a reduction in interest receipts on the Loans by the Issuer and, thus, a shortfall in the monies available to be applied by the Issuer in making payments of interest on the Notes. The prepayment risk, to the extent that prepayments are made by the Borrowers voluntarily and otherwise than consequent on a default and the enforcement of the Related Security, will be borne initially by the holders of the Class D Notes and the Class E Notes. On each Interest Payment Date, the maximum amount of interest then due and payable on the Class D Notes or Class E Notes, as applicable, will be limited to the amount equal to the lesser of (a) the Interest Amount (as defined in Condition 5(*d*)) in respect of such class of Notes, and (b) the Adjusted Interest Amount (as defined in Condition 5(i)) for such class of Notes on such Interest Payment Date. 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 D Notes or the Class E Notes, as applicable, exceeds the Adjusted Interest Amount in respect of such class, shall be extinguished on such Interest Payment Date, and the affected Noteholders shall have no claim against the Issuer in respect thereof.

Breach of warranty in relation to the Loans and the Related Security

Except as described under "The Loans and the Related Security — Acquisition", neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions as to a Borrower's or Mortgagor's status, and each will rely instead solely on the warranties given by MSDW Bank in respect of such matters in the Loan Sale Agreement (see further "The Loans and the Related Security — Representations and Warranties"). The sole remedy against MSDW Bank of each of the Issuer and the Trustee in respect of any breach of warranty relating to the relevant Loans and the Related Security if the breach is material (and is not remedied) shall be to require MSDW Bank to repurchase any relevant Loan and its Related Security provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if MSDW Bank, fails to repurchase a Loan and its Related Security when obliged to do so.

Payments under Loans

As at the Cut-Off Date, both of the Loans were current and no payments had been made under the Loans. However, as of the date of this Offering Circular, both loans have made their first scheduled payment. The Issuer can not (and does not) guarantee or warrant full and timely payment by the Borrowers of any sums.

Insurance

Except in those circumstances where the tenant of a Property is a Self-Insured Entity, MSMS's 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.

A "**Self-Insured Entity**" means an entity:

(i) which is a department, agency or organisation of, or which is supported by, H.M. Government; or

(ii) the long-term unsecured, unsubordinated, unguaranteed debt of which is rated "Aa2" or higher by Moody's and "AA" or higher by S&P; or

(iii) in respect of which Moody's and S&P have confirmed in writing that permitting such entity to self-insure will not cause the ratings of the Notes to be downgraded, withdrawn or qualified thereby.

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 the beneficial interests in the Security Trusts (which include MSMS's interests in the buildings insurance policies), and the Issuer's beneficial interests in the Security Trusts will form part of the Issuer Security charged to the Trustee for the benefit, *inter alios*, of Noteholders under the Deed of Charge and Assignment. The Servicer will serve notice of the assignment 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 and/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 in England and Wales granted after 1st January, 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date) ("**New Tenancies**"), 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 residential or 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.

Many of the existing 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. Therefore, because the Covenants Act has no retrospective effect, the original tenant of a lease of any such Property in England or Wales 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, thus creating 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.

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 only have regard to interests of the holders of the Notes which rank in priority in the event of the security held by the Trustee being enforced.

Ratings of Notes

The ratings assigned to the Notes by the Rating Agencies are based on the Loans, the Related Security and the Properties and other relevant structural features of the transaction, including, *inter alia*, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider and the Swap Guarantor, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest on the Notes on each Interest Payment Date and the full and timely repayment of principal on a date that is not later than the Interest Payment Date falling in July 2006. 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 both or either of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A downgrade, withdrawal or qualification 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.

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 364 day facility for drawings to be made in the circumstances described in "Credit Structure — Liquidity Facility". The Liquidity Facility Agreement may, at the discretion of the Liquidity Facility Provider, be renewed until the earlier of July 2006 or the date on which the principal balances of both Loans have been reduced to zero. If the Liquidity Facility Provider declines to renew the Liquidity Facility Agreement, the entire undrawn commitment under the Liquidity Facility Agreement will be available to be drawn by the Issuer and shall be deposited into a designated bank account of the Issuer with an appropriately rated bank. The Liquidity Facility Agreement will be subject to an initial maximum aggregate principal amount of £25,000,000 which will in certain specified circumstances be reduced. The Liquidity Facility Agreement is not available to meet shortfalls in principal payments made by Borrowers or to fund any Principal Priority Amount.

Appointment of Substitute Servicer

For a termination of the appointment of the Servicer under the Servicing Agreement to be valid, 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 Loans 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 residential and 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 of its affiliates intends to continue actively to 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 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 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 given discretion in determining how and in what manner to proceed and what action should be taken in relation to a Specially Serviced Loan and Related Security. The Special Servicer may, at any time, hold any or all of the most junior class of Notes outstanding from time to time, and the holders of that class may have interests which conflict with the interests of the holders of the other Notes.

Lehman Brothers International (Europe) ("**LBIE**") is joint lead Manager and joint book runner in respect of the issue of the Notes. The ultimate holding company of LBIE is Lehman Brothers Holdings, Inc. which is also the ultimate holding company of the Borrowers. Conflicts of interest may exist or may arise both as a consequence of the various Lehman Brothers entities having different roles in this transaction and as between the Issuer and various Lehman Brothers entities to the extent that the interests of the Issuer may differ from, or compete with, the interests of some or all of the Lehman Brothers entities involved in this transaction.

Mortgagee in possession liability

The Security Trustee may be deemed to be a mortgagee in possession if the Security Trustee 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. The enforcement procedures contained in the Debentures contemplate that, following a default, notice would be served on the tenants of a Property requiring all further rents to be paid directly to the Rent Account. 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 mis-management 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 a 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 Borrower or Mortgagor, the Security Trustee should incur no responsibility for such liability prior to enforcement of the relevant Loan and 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.

Legal Title

All of the Properties comprise registered land. In the case of each Property the relevant completed transfer or transfers or conveyance or conveyances have been duly stamped and appropriate application has been made (or in relation to Properties in England will be made within the appropriate priority period following execution of a transfer) to H.M. Land Registry for registration of transfer of the title and the relevant mortgage. MSDW Bank holds funds sufficient to pay the fees or has received solicitors' undertakings to pay the fees in relation to all necessary applications to H.M. Land Registry to the extent the same have not already been paid. It is expected that all applications will be complete within six months of the date of this Offering Circular.

Due Diligence

The only due diligence including valuations of properties undertaken on origination of the Loans that has been undertaken in relation to the Loans and the Properties is referred to below (see "The Loans and the Related Security") and was undertaken in the context of and at the time of the origination of each particular loan by MSDW Bank. Additional non-priority Land Registry searches will be undertaken in respect of the Properties by solicitors to MSDW Bank (for the benefit of 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 Loans and Related Security to the Issuer. The Issuer will 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 Borrowers, and to comply with the procedures for enforcement of Loans and Related Security current from time to time. See "Servicing". The principal remedies available following a default under a Loan or its Related Security, as contemplated by the Servicer's enforcement procedures, are the appointment of a receiver over the relevant Property or over all of the assets of a corporate Borrower and/or entering into possession of the relevant Property. The Servicer has confirmed to the Issuer that its usual procedure for commercial property would involve the appointment of a receiver. A receiver would invariably require an 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. Such an indemnity would rank ahead of payments on the Notes.

The Servicer's usual practice in England and Wales 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 fixed charge 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.

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, a more senior class 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".

Adoption of Proposed European Union Directive on the Taxation of Savings

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, 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, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they 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 will not 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 shall be translated into, and any amount payable shall 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 shall 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 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 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.

In particular, it should be noted that significant changes to the English insolvency regimes have recently been enacted, although not all these provisions have yet been brought into effect. These include the Insolvency Act 2000 which, when brought fully into force, will allow certain "small" companies (which are defined by reference to certain tests relating to a company's balance sheet, turnover and average number of employees) to seek court protection from their creditors for a period of 28 days with the option for creditors to extend the moratorium for a further two months. The position as to whether or not a company is a "small" company may change from period to period and consequently no assurance can be given that neither the Issuer nor any of the Borrowers will, at any given time, not be "small" companies. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for "small" companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders. It is also possible, however, that the Secretary of State may make regulations excluding special purpose companies from the optional moratorium provisions.

The Government has also, following a recent review of English insolvency law, published a White Paper in which it sets out its intention to introduce legislation the effect of which will be to restrict the right of the holder of a floating charge to appoint an administrative receiver to the holders of a floating charge granted in transactions in the capital markets and instead give primacy to collective procedures in which all creditors would have an opportunity to influence the outcome. There can be no certainty that such legislation will be introduced (or, if it is introduced, that it will become law), but if it is introduced no assurances can be given that such legislation would not be detrimental to the interests of Noteholder.

Hedging risks

The Loans bear interest at a fixed rate while each class of the Notes bears interest at a rate based on three month LIBOR (other than in the case of the first Interest Period, the linear interpolation of two- and three-month LIBOR) plus a margin (see Condition 5). In order to address interest rate risk, the Issuer will enter into the Swap Transaction pursuant to the Swap Agreement. However, there can be no assurance that the Swap Transaction will adequately address unforeseen hedging risks. Moreover, in certain circumstances the Swap Agreement may be terminated. In addition, Noteholders may suffer a loss if, as a result of a default by a Borrower under a Credit Agreement, the Swap Transaction is terminated and the Issuer is, as a result of such termination, required to pay to the Swap Provider amounts due as a result of that early termination. Certain of such amounts payable on an early termination rank senior to any payments to be made to the Noteholders before enforcement of the Issuer Security and after enforcement of the Issuer Security. See "Credit Structure — Post-Enforcement Priority of Payments".

For a more detailed description of the Swap Agreement see "Credit Structure — The 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 risk 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 or in connection with the Notes on a timely basis or at all.

THE ISSUER

The Issuer, Bromios (European Loan Conduit No. 7) plc, was incorporated in England and Wales on 11th July, 2001 (registered number 4250567), as a public company with limited liability under the Companies Act 1985. 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 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 and James Garner Smith Macdonald, whose business addresses are Blackwell House, Guildhall Yard, London EC2V 5AE, and who perform no other principal activities outside the group where those 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 £
100,000	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. 7 Securitisation Trust pursuant to a Declaration of Trust to be declared by the Share Trustee on the Closing Date. 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. 7 Securitisation Trust.

Loan Capital

Class A1 Commercial Mortgage Backed Floating Rate Notes due 2006	£140,000,000
Class A2 Commercial Mortgage Backed Floating Rate Notes due 2006	£104,400,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2006	£22,200,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2006	£33,300,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2006	£31,600,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2006	£10,350,000
Total Loan Capital	£341,850,000

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 KPMG Audit Plc, who have been appointed as auditors and reporting accountants to the Issuer. KPMG Audit Plc 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, 2002.

KPMG Audit Plc

The Directors
Bromios (European Loan Conduit No. 7) plc
Blackwell House
Guildhall Yard
London
EC2V 5AE

14th August, 2001

Dear Sirs

Bromios (European Loan Conduit No. 7) plc (the "Company")
Multi-class Commercial Mortgage Backed Floating Rate Notes (the "Notes")

We report on the financial information set out in paragraphs 1 and 2 below. This financial information has been prepared for inclusion in the Offering Circular dated 14th August, 2001 of the Company.

Basis of preparation

The financial information set out in paragraphs 1 and 2 below is based on the financial statements of the Company for the period 11th July, 2001 to 14th August, 2001 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company.

The Company is responsible for the contents of the Offering Circular dated 14th August, 2001 in which this report is included.

It is our responsibility to compile the financial information set out in our 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. 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 gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company at 14th August, 2001.

1. Balance sheet

Balance sheets as at 14th August, 2001	14th August, 2001 £
Current assets	
Cash at bank and in hand	12,501.50
Capital and reserves	
Called up equity share capital	12,501.50

2. Notes

2.1 *Accounting policies*

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in the United Kingdom.

2.2 *Trading activity*

The Company has not traded during the period from incorporation on 11th July, 2001 to 14th August, 2001, nor did it receive any income, incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared.

2.3 *Share capital*

The Company was incorporated on 11th July, 2001.

On incorporation the authorised share capital of the Company was £100,000 divided into 100,000 ordinary shares of £1 each.

On 11th July, 2001, 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 23rd July, 2001, 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.

2.4 KPMG Audit Plc were appointed auditors on 23rd July, 2001.

Yours faithfully

KPMG Audit Plc

THE PARTIES

Morgan Stanley Dean Witter Bank Limited

Morgan Stanley Dean Witter Bank Limited ("**MSDW Bank**") is a wholly owned subsidiary of Morgan Stanley Dean Witter & Co ("**MSDW**"). 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 business and a subsidiary of MSDW, 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.

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.

Swap Guarantor

MSDW is a pre-eminent global financial services firm that maintains leading market positions in each of its three primary businesses: securities, asset management and credit services. MSDW combines global strength in investment banking (including in relation to the origination of underwritten public offerings and mergers and acquisitions advice) and institutional sales and trading, with strength in providing investment and global asset management products and services and, primarily through its Discover Card brand, consumer credit products. MSDW is incorporated in Delaware.

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

Liquidity Facility Provider

Barclays Bank PLC ("**Barclays**"), acting through its branch at 54 Lombard Street, London EC3V 9EX, will act as the Liquidity Facility Provider under the Liquidity Facility Agreement and is regulated by the Personal Investment Authority and IMRO. The long term, unsecured, unsubordinated debt obligations of Barclays are rated "AA" by S&P, "Aa2" by Moody's and "AA+" by Fitch.

Operating Bank and Paying Agent

AIB Group (UK) plc is a public limited company, whose principal office is at 12 Old Jewry, London EC2R 8DP. In its capacity as the Operating Bank, it will act as operating bank pursuant to the Cash Management Agreement in relation to the Transaction Account, Stand-by Account, Swap Collateral Cash Account and Swap Collateral Custody Account (each as defined below). It will be appointed as Paying Agent under the Agency Agreement. The long term, unsecured, unsubordinated debt obligations of Allied Irish Banks p.l.c., the parent company of AIB Group (UK) plc, are rated "A+" by S&P, "AA-" by Fitch and "Aa3" by Moody's.

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

AIB International Financial Services Limited whose principal office is at P.O. Box 2751, AIB International Centre, I.F.S.C., Dublin 1. It 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.

Depository and Registrar

The Chase Manhattan Bank, New York office, has its principal office at 15th Floor, 450 West 33rd Street, New York, New York 10001. It 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

J.P. Morgan Trustee and Depositary Company Limited is a company incorporated in England and Wales and has its registered office at Trinity Tower, 9 Thomas More Street, London E1W 1YT. 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 or under the Deed of Charge and Assignment for the benefit of, inter alios, the Noteholders.

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 shall 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 of Charged Property made by it pursuant to the Deed of Charge and Assignment;

(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 a Potential Event of Default (being 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) shall 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 shall 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 Trustee unless that person has been previously approved by an Extraordinary Resolution of each class of the Noteholders.

THE BORROWERS

The Portfolio Loan

The Portfolio Loan made by MSDW Bank in the principal amount of £181,850,000 was advanced to the following companies (collectively, the "**Portfolio Borrowers**"), each of whom is jointly and severally liable for interest, principal repayments and other monies due to the Lender pursuant to the related Credit Agreement:

Borrower	**Date of Incorporation**	**Registration Number**
Burford Cabot Limited	1st May, 2001	4208938
Burford Chequers Horley Limited	30th March, 2001	4191102
Burford Cockhedge Limited	30th March, 2001	4191107
Burford Euro Limited	1st May, 2001	4208961
Burford (Fareham) Limited	15th September, 1999	3841873
Burford Fishergate Limited	1st May, 2001	4208953
Burford Hydro Limited	30th March, 2001	4191067
Burford Liverpool Limited	1st May, 2001	4208939
Burford Phoenix Limited	30th March, 2001	4191099
Burford Strathdon Limited	30th March, 2001	4191176
Burford Thayer Limited	30th March, 2001	4191095
Burford York Limited	30th March, 2001	4191190

The Portfolio Loan was advanced to refinance the acquisition of the properties listed below (the "**Portfolio Loan Properties**"). The legal estate in respect of each of the Portfolio Loan Properties is vested in two special purpose English incorporated nominee companies (each a "**Property Owner**") which hold the legal estate of the relevant Portfolio Loan Property on trust for the relevant Portfolio Borrowers (as referred to below) pursuant to a declaration of trust. There are two Property Owners in respect of each of the Portfolio Loan Properties to ensure that any conveyance or transfer of the Property will overreach the equitable interests of the relative Portfolio Borrowers in respect of that property pursuant to Section 27 of the Law of Property Act 1925 (although a first fixed charge over the beneficial interest in each of the Portfolio Loan Properties has also been taken from the relative of the Portfolio Borrowers).

The Property Owners in respect of the Portfolio Loan Properties are:

Property	**Legal Owners**	**Beneficial Owner**
Cabot Park (Industrial), Bristol	Burford Cabot Nominee 1 Limited (Company No. 4208959) and Burford Cabot Nominee 2 Limited (Company No. 4191038)	Burford Cabot Limited
Cabot Park (Land), Bristol	Burford Cabot Nominee 1 Limited (Company No. 4208959) and Burford Cabot Nominee 2 Limited (Company No. 4191038)	Burford Cabot Limited
Chequers Hotel, Horley	Burford Chequers Horley Nominee 1 Limited (4208970) and Burford Chequers Horley	Burford Chequers Horley Limited

	Nominee 2 Limited (4208942)	
The Cockhedge Shopping Centre, Warrington, Lancashire	Burford Cockhedge Nominee 1 Limited (4208976) and Burford Cockhedge Nominee 2 Limited (4209168)	Burford Cockhedge Limited
Euro Retail Park, Ipswich, Suffolk	Burford Euro Nominee 1 Limited (4208973) and Burford Euro Nominee 2 Limited (4209152)	Burford Euro Limited
Fareham Shopping Centre, Fareham, Hampshire	Burford (Fareham) Nominee 1 Limited (4208968) and Burford (Fareham) Nominee 2 Limited (4208981)	Burford (Fareham) Limited
Fishergate Shopping Centre, Preston, Lancashire	Burford Fishergate Nominee 1 Limited (4209162) and Burford Fishergate Nominee 2 Limited (4208957)	Burford Fishergate Limited
Hydro Estate, Avonmouth, Bristol, Somerset	Burford Hydro Nominee 1 Limited (4208937) and Burford Hydro Nominee 2 Limited (4208983)	Burford Hydro Limited
Moorgate Point, Knowsley, Liverpool, Merseyside	Burford Liverpool Nominee 1 Limited (4208967) and Burford Liverpool Nominee 2 Limited (4208945)	Burford Liverpool Limited
Phoenix House, Leeds, West Yorkshire	Burford Phoenix Nominee 1 Limited (4209142) and Burford Phoenix Nominee 2 Limited (4208936)	Burford Phoenix Limited
Strathdon Hotel, Nottingham	Burford Strathdon Nominee 1 Limited (4209149) and Burford Strathdon Nominee 2 Limited (4208949)	Burford Strathdon Limited
20 Thayer Street, London, W1	Burford Thayer Nominee 1 Limited (4208947) and Burford Thayer Nominee 2 Limited (4208927)	Burford Thayer Limited
Posthouse Hotel, York	Burford York Nominee 1 Limited (4209166) and Burford York Nominee 2 Limited (4208933)	Burford York Limited

Each of the above (together the "**Portfolio Loan Property Owners**") is a limited company registered in England and Wales, incorporated on the 1st May, 2001 (except Burford Cabot Nominee 2 Limited, which was incorporated on the 30th March, 2001).

Locations

The Portfolio Loan Properties comprise 13 properties located across the main economic areas of the United Kingdom, 38 per cent. of which (by percentage of the total value of the Portfolio Loan Properties) are located in the North West and 32 per cent. are located in the South East.

The Properties

The Portfolio Loan Properties comprise (by percentage of the total value of the Portfolio Loan Properties) 64.5 per cent. retail, 7.8 per cent. retail warehouses, 9.5 per cent. land, 8.7 per cent. industrial use, 6.7 per cent. ground rents and 2.8 per cent. office accommodation.

The largest of the Portfolio Loan Properties is Fareham Shopping Centre, Fareham, which accounts for 29.69 per cent. of the total Portfolio Loan value. Fareham Shopping Centre is 99 per cent. let and all the units are let on full repairing and insuring leases.

Tenants

Major tenants at the Portfolio Loan Properties are Argos Distributions Limited, Debenhams plc, NBC Apparel (which trades as TK Maxx), Hydro Agri (UK) Limited, Post House Hotels Limited, Woolworths plc, Boots Properties plc, MFI Properties Limited, Staples (Europe) Limited and Staples International Inc.

There are relatively few break clauses in the occupational leases in the Portfolio Loan Properties. Approximately 9 per cent. by net rental income of such leases expire before the maturity date of the Portfolio Loan.

The tenant base at the Portfolio Loan Properties has more than 250 tenants. Three of the Portfolio Loan Properties are let on long leases due to expire between 2067 and 2070.

The Portfolio Loan Properties benefit from very low vacancy rates.

The Mayfair Place Loan

The Mayfair Place Loan in the sum of £160,000,000 was advanced by MSDW Bank to Watchover Limited, a company incorporated in England and Wales on the 30th March, 2001 with registration number 4191193 (the "**Mayfair Place Borrower**").

The Mayfair Place Loan was advanced to refinance the acquisition of the property known as 50 Berkeley Street, London, W1 (the "**Mayfair Place Loan Property**"). The legal interest in the Mayfair Place Loan Property is vested in Burford Berkeley Nominee 1 Limited (registered number 4219996) and Burford Berkeley Nominee 2 Limited (registered number 4220078), who hold the property on trust for the beneficial owner, Burford Berkeley Limited (together the "**Mayfair Place Loan Property Owners**" and individually a "**Property Owner**"). Each of the Mayfair Place Loan Property Owners is a special purpose limited company incorporated in England and Wales on the 21st May, 2001 (in the case of Burford Berkeley Nominee 1 Limited and Burford Berkeley Nominee 2 Limited) or 24th June, 1999 (in the case of Burford Berkeley Limited). There are two Property Owners to ensure that any conveyance or transfer of the Mayfair Place Loan Property will overreach the equitable interests of Burford Berkeley Limited pursuant to section 27 of the Law of Property Act, 1925 (although a first fixed charge over the interest of Burford Berkeley Limited in the Mayfair Place Loan Property has also been taken). The Mayfair Place Loan Property was valued by DTZ on 7th August, 2001; a copy of the related valuation report is set forth in Appendix 2 hereto.

For additional details regarding the Mayfair Place Borrower, see "Appendix 1 — The Principal Borrower" and "Appendix 2 — Valuation Report Relating to the Principal Borrower".

The Property

The Mayfair Place Loan Property occupies a freehold island site in a prime West End location, fronting Berkeley Street and Stratton Street and being within 100 metres of Green Park Underground Station. The property was redeveloped in May 2001. The refurbishment has been carried out to Grade A specification and provides large footplates of up to 22,500 ft² and includes a supermarket and restaurant.

As at the Cut-Off Date, the Mayfair Place Loan Property comprised approximately 158,500ft² of office accommodation, approximately 21,000ft² of restaurant accommodation and approximately 20,200ft² of retail accommodation. The property is fully let. 85 per cent. of the leases, as of June 2001, are for a term of approximately 21 years with no break clauses. None of the leases expire or break during the term of the Mayfair Place Loan.

Tenants

Major tenants at the Mayfair Place Loan Property include Scient Corporation Inc., Glencore UK Limited and AEP Energy Services Limited. The tenant of the 7th floor of the Mayfair Place Loan Property, 360networks (UK) Ltd., is in administration, and in June 2001 its parent company (who also acts as guarantor under the lease), 360networks Inc., filed for bankruptcy protection under the Companies' Creditors Arrangement Act in the Supreme Court of British Columbia, Canada. See "Risk Factors — The Issuer's ability to meet its obligations under the Notes — the tenants"

General

The Portfolio Borrowers, the Mayfair Place Borrower, the Portfolio Loan Property Owners and the Mayfair Place Loan Property Owners are all direct or indirect subsidiaries of Burford Holdings Limited, a limited company registered in England and Wales with number 3085922 (formerly Burford Holdings Plc) ("**BHL**").

The Borrowers and Mortgagors are special purpose companies, save as referred to below. Each of the Borrowers/Mortgagors is a limited company registered in England and Wales.

The Borrowers and Mortgagors were incorporated for the purposes of entering into the Credit Agreements and acquiring the legal and/or beneficial interests in the property charged as security for the loan. In all cases, subject as set out below, MSDW Bank is satisfied that each Borrower has no material assets or liabilities (other than such as are fully subordinated pursuant to a formal subordination agreement) save in relation to the Property which is security for the loans.

The ultimate holding company of all of the Borrowers is Lehman Brothers Holdings, Inc., which is also the ultimate holding company of one of the Managers, Lehman Brothers International (Europe).

Since the date of their incorporation none of the Borrowers have:

(a) carried on any business other than in connection with the acquisition and ownership (and, in the case of Burford (Fareham) Limited ("**BFL**") and Burford (Berkeley) Limited ("**Burford Berkeley**"), the development) of the relevant Portfolio Loan Properties;

(b) sold or disposed of any asset other than to a third party on arms length terms; or

(c) (with the exception of BFL and Burford Berkeley in respect of which see below) incurred any actual or contingent liabilities which are outstanding or undischarged other than in connection with the acquisition or ownership of the relevant Portfolio Loan Property.

BFL is a limited company incorporated for the purpose of acquiring and developing the shopping centre known as Fareham Shopping Centre, Hampshire and, in this regard, entered into various building contracts and agreements for professional services with third party contractors and professionals. Certain of these are non-assignable and, in order for the benefit of the obligations and duties owed by such contractors and professionals to be charged (through the floating charge contained in the debenture granted by BFL in favour of the Security Trustee) BFL was included as one of the Portfolio Borrowers. BFL has also entered into an interest rate swap agreement, however such agreement has been novated to another company within the same group of companies as BFL.

In relation to the Mayfair Place Loan, Burford Berkeley (the beneficial owner of the Mayfair Place Loan Property) may also have incurred certain outstanding contingent liabilities in connection with the development of the Mayfair Place Loan Property, and consequently BHL has guaranteed such liabilities to the Security Trustee. The Mayfair Place Loan Property Owners have also granted second legal charges limited in recourse to £5,000,000 (plus interest and costs) to the Security Trustee as collateral security for the Portfolio Loan. The position governing the enforcement and priority of these second charges is governed by the terms of an inter-creditor agreement which broadly provides that, so far as the Mayfair Place Loan Property is concerned, the debenture securing the Mayfair Place Loan has full priority in respect of all interest, principal and other monies due and payable under the Credit Agreement applicable to the Mayfair Place Loan. Moreover, the Security Trustee in respect of the Portfolio Loan may not seek to wind up or take any action against the Mayfair Place Loan Property or the Mayfair Place Loan Property Owners for so long as the Mayfair Place Loan is outstanding.

THE LOANS AND THE RELATED SECURITY

Subject only as set out above in relation to the Mayfair Place Loan, the Portfolio Loan and the Mayfair Place Loan are structured on an independent basis so that there is no cross-collateralisation between the two.

For the purposes of this section, any references to the "Lender" should be a reference to MSDW Bank and, following assignment of the relative loan to the Issuer, a reference to the Issuer.

1. Origination of the Loan

The Loans were made available pursuant to two separate credit agreements, each dated 18th June, 2001. Drawdown in respect of both Loans took place on the 19th June, 2001.

2. Legal Due Diligence

Following the approval in principle by MSDW Bank of the Loans, certain legal due diligence procedures were followed. 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 Loans, the Portfolio Loan Properties and Mayfair Place Loan Property were Messrs Denton Wilde Sapte of 1 Fleet Place, London, EC4M 7WS ("**DWS**"). DWS initially obtained (and where reasonably possible checked) general information relating to the facilities offered under the Credit Agreements including details of the Portfolio Borrowers, the Mayfair Place Borrower, the Portfolio Loan Property Owners and the Mayfair Place Loan Property Owners, any (other) borrowings of any such parties, the accounts to be operated in connection with the Loans and the managing agents appointed (or to be appointed) in connection with the collection of rents and/or management of the Portfolio Loan Properties and the Mayfair Place Loan Property.

(B) Property Title Investigation

An important part of the legal due diligence process was to verify that all of the Property Owners had good title to the related Property, free from any encumbrances or other matters which we considered to be of a material adverse nature.

(C) Property Certificates

The solicitors acting for the Portfolio Borrowers and the Mayfair Place Borrower, namely Messrs Clifford Chance Limited Liability Partnership of 200 Aldersgate Street, London EC1A 4JJ, and Messrs Taylor Joynson Garrett of Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y ODX prepared and issued comprehensive reports or certificates of title in respect of each of the properties, the form and content of which was approved by DWS. Each report or certificate on title covers the following principal matters in relation to the Property concerned:

1. confirmation as to the tenure (freehold or leasehold), the quality of title, whether the land is registered or unregistered and whether there are any material title defects;

2. a list of rights benefiting the Property, together with any conditions applying the exercise of such rights;

3. a list of rights to which each Property is subject;

4. details of any encumbrances, including mortgages or charges and covenants;

5. an analysis of the replies to preliminary enquiries raised of the relative transferor and the results of searches made of the local and other appropriate authorities (disclosing matters such as disputes, outstanding statutory notices, compulsory purchase proposals, any proposals to construct new roads within the immediate vicinity and material planning irregularities);

6. a report on the terms and conditions of any Headlease to which any Property is held, including repairing and insuring obligations, the machinery for payment and/or review of rent, any provisions for either landlord or tenant to terminate the Headlease prior to the expiry of the contractual term, rights

granted and reserved by the Headlease and provisions for payments of any other sums, for example in respect of insurance or services, (or Value Added Tax); and

7. similar details of all tenancies to which the Property was subject including the amount of rent payable by and provisions for the review of rent by each tenant, provisions for the tenant to terminate the lease prior to the contractual term, rights granted and reserved by the lease and provisions for payment of any other sums in respect of the provision of insurance, services, or other matters relating (where, in the case of a Property, several tenancies were granted in a similar form, a report on the basic form of letting document was also included).

DWS reviewed the draft form of report or certificate to ensure that it covered the matters DWS would expect a report or certificate of title in respect of commercial properties similar in nature to the Properties to cover. DWS then raised requisitions in the case of omissions, ambiguities or material disclosures in the report, satisfied themselves as to any issues that arose and then prepared a summary report for MSDW Bank and the Security Trustee in each case confirming (if appropriate) approval of the form and content of the report or certificate and highlighting any matters they considered should be drawn to the attention of MSDW Bank and its valuers.

DWS checked that the valuers providing the valuation of the Properties also had copies of the reports or certificates and had taken into account matters disclosed in the valuation. DWS also cross checked and verified basic details relating to the Properties (namely tenure, term and occupational tenancy rent) in the valuation provided by the valuer.

(D) Survey, Environmental and Engineering reports

An environmental and structural due diligence report in relation to certain of the Portfolio Loan Properties was obtained from Gibb Limited dated 4th December, 2000. Gibb Limited issued subsequently a letter confirming MSDW Bank and the Security Trustee could rely on the contents of such report.

(E) Capacity of the parties

In relation to the Portfolio Borrowers, the Mayfair Place Borrower, the Portfolio Loan Property Owners and the Mayfair Place Loan Property Owners, DWS satisfied themselves that the relevant company was validly registered and incorporated, had sufficient power and capacity to enter into the transactions, whether it was subject to any existing mortgages or charges, whether it was the subject of any insolvency proceedings and generally that any formalities required to enter into the relevant transaction had been completed.

(F) Reliance on legal due diligence

The summary report referred to above is addressed to MSDW Bank and the Security Trustee, but will not be addressed either to the Issuer or the Trustee. The Issuer will instead rely on the Representations and Warranties of MSDW Bank contained in the Loan Sale Agreement (see "Acquisition — Loan Sale Agreement" below) and will assign its rights under that agreement to the Trustee.

3. Drawdown and Post-Completion formalities

DWS ensured that all necessary English registration formalities and the services of notices were dealt with at the drawdown of the Loans or, as appropriate, within any applicable priority or other time period following drawdown. DWS have also made the necessary registrations at Companies House in England and Wales and to H.M. Land Registry in respect of the Portfolio Loan Properties and the Mayfair Place Loan Property. The solicitors to the Borrowers have, however, been permitted to retain occupational and certain other deeds relating to the Properties (but not the principal Land or Charge Certificate) and have provided an unconditional undertaking to hold these to the Security Trustee's order and to deliver them on demand.

4. Information on Loans

The loan and security package in relation to the Loans comprises a credit agreement and debentures from the relative Borrowers and Property Owners.

The debentures granted by the Property Owners incorporate a first legal mortgage (in the case of a legal interest) or fixed charge (in the case of an equitable interest) in respect of the Properties together with first fixed charges over other property of the Property Owners and a floating charge over all the Property Owners' assets (other than those previously charged). The debentures granted by each Borrower created the same security, including a charge over the beneficial interest where such was vested in a Borrower.

The Borrowers and, where relevant, the Property Owners have entered into subordination agreements with BHL and/or any other subsidiary of BHL which has advanced monies by way of inter-group loan to such Borrower or Property Owner in order to subordinate any claim against or indebtedness of any such Borrower or Property Owner to all liabilities arising under or in connection with the Finance Documents (as defined below). Duty of care agreements have also been obtained in favour of the Security Trustee from managing agents relating to the collection of rents.

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

The Redemption Date (as defined below) for the Portfolio Loan is the 23rd July, 2004 and the Redemption Date for the Mayfair Place Loan is the 25th July, 2002.

Interest is payable in relation to the Loans at a fixed rate which accrues daily and is payable quarterly in arrear. The interest rate is an aggregate of a fixed rate plus a margin, plus mandatory costs if any imposed by the Financial Services Authority in respect of Sterling lending. The Loans contain various provisions as to voluntary pre-payment, although there is no contractual provision for any mandatory part repayment or amortisation prior to the scheduled final repayment dates, save that £5,000,000 of the Portfolio Loan must be prepaid on the occasion of the sale or refinancing of the Mayfair Place Loan Property (at this stage the second ranking security over the Mayfair Place Loan Property in respect of the Portfolio Loan is to be released).

Each Property is let to third party tenants (except for the Property at 20 Thayer Street, London, part of which is let to an affiliate of the Portfolio Borrower). Certain 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".

5. Terms of the loans

The Loans are documented in two Credit Agreements which are governed by English law. MSDW Bank is the initial lender and as entitled to assign to the Issuer all or any of its rights under the Credit Agreements and the Security Documents (as defined below) without restriction.

A summary of the principal terms of the Credit Agreements is set out below. Words and expressions used in this section and not specifically defined below or elsewhere in this Offering Circular have the meanings given to them in the relevant Credit Agreement.

For the purpose of the Credit Agreements:

"**Additional Charge**" means a new first legal mortgage in respect of an Additional Property granted or to be granted in favour of the Security Trustee by any Property Owner or Borrower;

"**Additional Property**" means any property or properties which the lender may accept as alternative security pursuant to the terms of the Credit Agreement (Portfolio Loan only);

"**Additional Property Valuation**" means a valuation carried out on the same basis as the Initial Valuation carried out in relation to an Additional Property (see "*(E) Release of Properties*" below);

"**Borrowers' Agents**" (in the case of the Portfolio Loan) means BFL and Burford Fishergate Limited who are authorised under the Credit Agreement relating to the Portfolio Loan to act as agents to give and receive all notices and other communications relating to the Portfolio Loan by the other Portfolio Borrowers;

"**Default**" means a Credit Agreement Event of Default (as defined below) or an event which, amongst other things, with the giving of notice or expiry of any grace period would constitute a Credit Agreement Event of Default;

"**Finance Document**" means the Credit Agreement, the Security Documents and any other document designated as such by the Security Trustee and the Borrowers' Agents.

"**Headlease**" means a lease pursuant to which any property is held by any Property Owner;

"**Initial Valuation**" means a valuation on the basis of an open market value of the interests of the Borrowers and relative Property Owners in all of the Properties provided by DTZ prior to the date of drawdown of the Loans.

"**Interest Cover Percentages**" means the proportions expressed as percentages which the Net Rental Income (including interest accrued on monies standing to the credit of any charged account)

(a) at all times for the immediately preceding Interest Period; and

(b) at all times for the immediately following period of 12 months,

bear to the amount of interest payable to the relative Credit Agreement for the same period assuming in the case of (b) that the rate of interest and the amount of the Loan remain unchanged).

"**Interest Period**" means each period between Loan Payment Dates;

"**Investment Properties**" (Portfolio Loan only) means those of the Portfolio Loan Properties (or parts of them) which are developed, occupied and not intended for redevelopment;

"**Loan Payment Date**" means each date specified in the Credit Agreements for payment of interest on the Loans, namely the 25th January, April, July and October in each year;

"**Net Rental Income**" means Rental Income after deduction of service charge payments and insurance premium contributions, sinking fund contributions, Value Added Tax, and other amounts (including rents) payable under any Headlease;

"**Occupational Lease**" means any occupational lease or other right of occupation to which any Property may be subject;

"**Redemption Date**" means, in the case of the Portfolio Loan, 23rd July, 2004, and in the case of the Mayfair Place Loan, 25th July, 2002;

"**Rental Income**" means the aggregate of amounts payable to or for the benefit of any Borrower and/or Property Owner in connection with the letting or licensing of any Property or any part thereof including, amongst other things, rent, licence fees, sums received from any deposit or guarantors for any tenants/licencees.

"**Security Documents**" means each debenture granted by any Borrower or Property Owner, the Subordination Agreement, the Intercreditor Agreement, each Additional Charge and any other document creating security for the Borrowers' obligations under the Finance Documents;

"**Undeveloped Properties**" (Portfolio Loan only) means those of the Portfolio Loan Properties (or parts of them) which are undeveloped, unoccupied and intended for redevelopment;

Additionally, for the purposes of the debentures, "**Security Assets**" means all assets of the chargors subject to any security created under the relevant debenture.

(A) Amount of the Loan, Drawdown and Further Advances

The principal amount of the Portfolio Loan is £181,850,000 and of the Mayfair Place Loan, £160,000,000 (each, the respective "**Loan Amount**"). The Credit Agreements place no obligation on the Lender, and therefore upon the Issuer, to make any further advance to either Borrower and, following the sale to the Issuer of the Loans and the transfer of the beneficial interest in the Security Trust, the Servicer will not be permitted under the terms of the Servicing Agreement to agree any amendment of the Loans that would allow any further advances to either Borrower to be made on behalf of the Issuer.

(B) Conditions Precedent to Drawdown

The Lender's obligations to the Borrowers under the Credit Agreements were subject to it receiving, amongst other things, the following:

(a) certified copies of the memorandum and articles of association and certificate of incorporation of each Borrower and Property Owner, together with appropriate resolutions of the relevant board of directors and various other corporate certificates;

(b) valuations and structural and environmental reports in respect of the Properties;

(c) evidence of insurance cover in respect of the Properties;

(d) the duly executed Security Documents;

(e) where appropriate, evidence that each of the Property Owners had elected to waive exemption in respect of the relative Property to Value Added Tax;

(f) reports or certificates on title in respect of the Properties;

(g) notices in connection with the payment of rental income and the charging of the Bank Accounts (see "(G) Accounts" below).

The obligations of MSDW Bank to advance the relative Loan Amount was also contingent upon:

(a) the representations and warranties set out in the relative Credit Agreement being correct as of the Drawdown Date and immediately after the advance of the Loans; and

(b) there being no Default outstanding or reasonably expected to be outstanding from the making of the Loans.

(C) Interest and repayments

Interest is payable quarterly in arrear on Loan Payment Dates in respect of successive Interest Periods. Each Loan is repayable in full on the relative Redemption Date.

On each Loan Payment Date, monies are debited from the relative Rent Account to discharge any interest or other outstanding amount then payable under the relative Credit Agreement. Subject to there being no Credit Agreement Event of Default, the Interest Cover Percentages being no less than 120 per cent. (in the case of the Portfolio Loan) or 100 per cent. (in the case of the Mayfair Place Loan), the relative Borrower having submitted a compliance certificate and (in the case of the Portfolio Loan only) the amount of the Loan less any monies standing to the credit of the Sales Account (as defined in "The Structure of the Accounts" herein) being less than the aggregate of 70 per cent. of the value of the Investment Properties and 50 per cent. of the value of the Undeveloped Properties, any monies standing to the credit of the relative Rent Account on such Loan Payment Date in excess of any monies debited from the relative Rent Account to discharge any interest or other outstanding amount then payable under the relative Credit Agreement, will be paid to the relative Borrower.

The provisions regarding prepayment of the Loans are as follows:

(a) a Borrower may prepay a Loan on any Loan Payment Date in whole or in part (subject to a minimum of £250,000) on giving not less than 5 days' prior notice;

(b) the Portfolio Borrowers must prepay part of the Portfolio Loan in the sum of £5,000,000 upon the sale or refinancing of the Mayfair Place Loan Property; and

(c) in the case of the sale of any Property charged as security, the Portfolio Borrowers must prepay 115 per cent. (or 110 per cent. if the amount of the Portfolio Loan, less any monies standing to the credit of the Sales Account, is equal to or less than the aggregate of 70 per cent. of the value of the whole or part of the Investment Properties and 50 per cent. of the value of the Undeveloped Properties) of the amount originally advanced in respect of such Property. As an alternative to prepayment in such circumstances, the Portfolio Borrowers may provide additional property as

security for the Portfolio Loan (provided, inter alia, that it is an Investment Property) so that the value of the Undeveloped Properties is less than 15 per cent. of the value of the Portfolio Loan Properties as a whole.

(D) Prepayment Fees and Exit Fees

On any prepayment the related Borrower must pay an Exit Fee. The Exit Fee is also payable by a Borrower on the Redemption Date of the related Loan. There are no prepayment fees other than the Exit Fee. Any prepayment is also subject to any breakage costs.

(E) Release of Properties

There is no provision for the release of security and/or the substitution or addition of security in the case of the Mayfair Place Loan. In the case of the Portfolio Loan, the Portfolio Borrowers are permitted to dispose of any of the Portfolio Loan Properties (a "**Released Property**") without the provision of any Additional Charge over an Additional Property where:

(a) the net proceeds of sale are 115 per cent. (or 110 per cent. if the amount of the Portfolio Loan, less any monies standing to the credit of the Sales Account prior to the disposal of the Released Property, is equal to or less than the aggregate of 70 per cent. of the value of the whole or part of the Investment Properties and 50 per cent. of the value of the Undeveloped Properties) or more of the principal amount initially advanced in respect of that Property (calculated in accordance with the relative Initial Valuation or Additional Property Valuation) or, if there is a shortfall in the net proceeds of sale, the Borrower also pays an amount equal to such shortfall into the Sales Account; and

(b) the net proceeds of sale, together with the amount of any shortfall payment made by the Borrower, are paid into the Sales Account or are used to make a prepayment under the Credit Agreement.

If the net proceeds of sale exceed 115 per cent. (or, as the case may be, 110 per cent.) of the principal amount initially advanced in respect of the Released Property, such excess may, provided there is no subsisting default under the Credit Agreement, be released to BFL and applied as it directs.

There are equivalent provisions should the Portfolio Borrowers wish to effect the sale of shares in any one of them and the relative Portfolio Loan Property Owners.

(F) Substitution of Properties

Under (and subject to) the terms of the Credit Agreement in respect of the Portfolio Loan, the Portfolio Borrowers may:

(a) request the release of any Property from the relative security in return for the grant of an Additional Charge over an Additional Property; or

(b) request the release of any of the Portfolio Loan Property Owners and relative Borrower in respect of a Property, subject to alternative equivalent security being granted by additional or other Property Owners in respect of an Additional Property.

The consent of the Lender to such release and substitution may not be unreasonably withheld where the aggregate value of properties already released together with the value of the Property to be released does not exceed 15 per cent. of the aggregate value of the Portfolio Loan Properties (calculated by reference to the Initial Valuation or relative Additional Property Valuations) subject to, amongst other things, any Additional Property being similar in nature and quality in all material respects to the property being released. Any substitution above this percentage level is subject to the Lender's absolute discretion.

The substitution of any Property is further subject to:

(a) the Portfolio Borrowers supplying information and details relating to any Additional Property as the Security Trustee reasonably requests, an Additional Charge being supplied and all due diligence formalities as are undertaken upon the charging of the properties upon drawdown (in relation to the Additional Property) being complied with;

(b) the Additional Property being similar in nature and quality in all material respects to the Released Property; and

(c) any substitute Borrower being a special purpose company incorporated in England and Wales no earlier than 3 months prior to the date of such substitution.

(G) Accounts

The Credit Agreements require the Borrowers to procure that the Accounts are established (in the case of the Portfolio Loan these are to be established in the name of BFL). See "The Structure of the Accounts" herein for a more detailed description of the Accounts.

(H) Representations and Warranties

Unless stated otherwise, representations and warranties contained in each Credit Agreement are made by each Borrower in respect of itself and the relative Property Owners. Each Borrower generally represents and warrants as follows:

(a) it is a limited liability company, duly incorporated and validly subsisting under the laws of England and Wales with power to own assets and carry on its business;

(b) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise the entry into, performance and delivery of, those of the Finance Documents to which it is a party;

(c) the entry into and performance by it of the transactions contemplated by the Finance Documents do not and will not conflict with any law, regulation, judicial or official order, constitutional document or any other document binding upon it or any of its assets;

(d) as at the date the Loan is drawn down, no Default is outstanding or might reasonably be expected to result from the making of the Loan and no other event which is outstanding which constitutes (or upon the expiry of any grace period or the giving of notice might constitute) a default under any other document which is binding on it or any of its assets in a manner which might reasonably be expected to have a material adverse affect on its business or financial condition, or on its ability to perform its obligations under the Finance Documents;

(e) subject to due registration, all authorisations required in connection with the entry into, performance and enforceability of, and the transactions contemplated by, the Finance Documents have been obtained and are in full force and effect;

(f) save as disclosed to the Lender prior the date of drawdown, no litigation, arbitration or administrative proceedings are current or, to its knowledge, pending or threatened which, if adversely determined, would have a material adverse affect on its business or financial condition, or its ability to perform its obligations under the Finance Documents;

(g) the information provided to the Lender is true, complete and accurate in all material respects, contains no material omissions and is not rendered untrue, incomplete, inaccurate or otherwise misleading by any subsequent occurrence;

(h) as of the drawdown date, each Borrower is the beneficial owner of one or more of the Properties (this does not apply to the Mayfair Place Borrower) and the relative Property Owners are the legal owners of such Property, free from any security (save those set out in the Finance Documents and save as disclosed in the relative report on title), and all documentary evidence of good and marketable title to each Property is in the possession of the Security Trustee or held to its order;

(i) all information provided by it or on its behalf for the purposes of the valuations and the reports or certificates on title is true, complete and accurate in all material respects as of the date it was given;

(j) the security granted by it constitutes first priority security interests of the type described in the relative security documents, not subject to any prior or pari passu Security Interests (subject, in the

case of the Mayfair Place Borrower, to the second ranking legal charges in favour of the Security Trustee in relation to the Portfolio Loan);

(k) each Borrower is a wholly owned subsidiary of the relative shareholder as specified in the Credit Agreement and each Property Owner is wholly owned by the relative Borrower;

(l) since the date of its incorporation, it has only carried on business relating to the ownership, development, management and letting of the Properties, it has not sold or disposed of any asset other than to a third party on arm's length terms, or incurred any actual or contingent liabilities which are outstanding or undischarged other than in connection with the ownership, letting and management of the Properties; and

(m) each Borrower, Property Owner and shareholder company, together with the appropriate directors, have made the statutory declarations required by, and otherwise complied with the provisions of, Section 155 of the Companies Act 1985 in relation to the lawful giving of financial assistance.

(I) Undertakings

Each Borrower gives various undertakings in the Credit Agreement which take effect so long as any amount of the relative Loan (or part thereof) is outstanding. These undertakings include the following:

(a) to provide interim and final accounts relating to each Borrower;

(b) to provide information to the Lender, including copies of documents sent to its creditors or shareholders generally, details of forfeiture proceedings in respect of any Headlease, details of material or other legal proceedings brought which, if adversely determined, would have a material adverse affect on its financial condition and such other information regarding financial condition as the Security Trustee may reasonably request;

(c) to give notification of any Default;

(d) to provide a director's certificate upon the date of the supply of the annual accounts, signed by a director, certifying that no Default is outstanding (or, if a Default is outstanding, the events being taken to rectify it) and, on each Interest Payment Date, a director's certificate in respect of the Interest Cover Percentages for each relevant period;

(e) to ensure that its obligations and those of each Property Owner rank at least pari passu with its other unsecured obligations save for those mandatorily preferred by law;

(f) not to create or permit to subsist any security interest on any of its assets (save for security granted in favour of the Security Trustee (and in the case of each of the Loans, security granted pursuant to the other Loan or security granted to a third party which is fully subordinated to the security created by the relevant Loan) or arising by operation of law);

(g) save as otherwise permitted by the Credit Agreement not to (and to procure that each Property Owner will not) lease or otherwise dispose of all or a substantial part of its assets;

(h) not to (and to procure that each Property Owner will not) carry on any business other than in connection with the ownership, management and letting of its interest in the Properties and, in particular, not to undertake any development unless no Default is outstanding, all planning and other statutory consents being obtained, and the Security Trustee is satisfied (acting reasonably) that the costs of such development can be funded either from Net Rental Income in excess of the amounts required to service the Loan and/or net sale proceeds arising from a sale of a Property or through an additional subordinated loan;

(i) not to have any subsidiary (other than a subsidiary which is a Property Owner) or employees (there is an exception for on Borrower which may own shares in the management company in respect of the Property it owns);

(j) not to (and to procure that each Property Owner shall not) enter into any amalgamation, demerger, merger or reconstruction;

(k) not to (and to procure that each Property Owner shall not) borrow monies (other than such as are fully subordinated to the repayment of the Loans) or incur any other indebtedness other than pursuant to the Finance Documents;

(l) not to issue any further shares, declare any dividend on any existing shares, repay or redeem any share capital or repay any principal or interest on any other borrowings (including subordinated borrowings) unless no Default subsists, the Interest Cover Percentages are 120 or above (in the case of the Portfolio Loan) or 100 or above (in the case of the Mayfair Place Loan) and (in the case of the Portfolio Loan only) the principal amount of the Loan (less monies standing to the credit of the Sales Account) is in excess of 70 per cent. of the value of the Investment Properties and 50 per cent. of the value of the Undeveloped Properties;

(m) not to grant (and to procure that no Property Owner will grant), permit the assignment of, determine, vary or accept a surrender of any occupational lease save where:

(i) (in the case of the Portfolio Loan only) the Rental Income from the same is less than £25,000 per annum and variations in any 12 month period without the Security Trustee's consent relate to Occupational Leases where the Rental Income does not exceed in aggregate £100,000 per annum and the variation is in relation to a temporary reduction in the rent payable;

(ii) where any valuation does not increase or reduce the rent payable by the tenant (except on rent review which is upward only) render the tenant's repairing obligations less onerous, amend the rent review provisions, reduce the service charge payments made by the tenant, grant the tenant the right to determine prior to the end of the contractual term or have a material adverse affect on the open market value of the relevant Property;

(iii) in the case of the assignment of an Occupational Lease, the Security Trustee's consent (not to be unreasonably withheld) has been obtained;

(iv) an Occupational Lease is granted in respect of a Property or part of a Property which is vacant, due to expire or subject to a break clause and such new Occupational Lease is granted on normal commercial terms;

(v) in the case of an assignment of an Occupational Lease, the lease is one where there is privity of contract and the assignor remains bound by the terms of the Occupational Lease, or the Rental Income in relation to such Occupational Lease is less than £100,000 per annum;

(vi) the surrender or other determination, relates to a lease where the relative Tenant is at least 3 months in arrears of rent, or a new Occupational Lease on the same or better terms has been granted, or (in the case of the Portfolio Loan only) the Occupational Lease has a contractual term remaining of less than 6 months and the Rental Income is less than £100,000 per annum, or the relative Property Owner deposits with the Security Trustee an amount equal to the rent payable under such Occupational Lease from the date of surrender or determination until the contractual expiry date.

(n) to insure the Properties in the full reinstatement value and 3 years' loss of rent against all usual risks, and to procure that the interests of the Security Trustee is noted on all such policies;

(o) to provide within 10 days after each Loan Payment Date information with regard to each Property in respect of the immediately preceding Interest Period;

(p) to ensure that the Interest Cover Percentages are equal to or exceed 105 (in the case of the Portfolio Loan) or 100 (in the case of the Mayfair Place Loan) (there is provision, in the case of the Portfolio Loan, for the Portfolio Borrowers to provide additional security in the form of a cash deposit in order to avoid any breach of this undertaking);

(q) not to appoint any managing agent without the consent of the Security Trustee, and to procure that any new managing agents enter into a duty of care agreement with the Security Trustee;

(r) not to take any steps for the liquidation or administration of any Borrower or Property Owner; and

(s) to comply with the provisions of Sections 151 to 158 of the Companies Act 1985 relating to the provision of any financial assistance.

(J) Events of Default under the Credit Agreements

The Credit Agreements contain events of default (each a "**Credit Agreement Event of Default**") entitling the Lender to enforce its security. These include:

(a) the failure by any Borrower to pay on the due date any amount due under the Finance Documents (save where such failure is caused by the omission of the Security Trustee to transfer monies from one of more of the relative charged accounts);

(b) breach of any other obligations of any Borrower or any Property Owner contained in any Finance Document (unless such is remedied within 5 business days of the relative Lender giving notice of the same);

(c) if any representation, warranty or statement is incorrect when made or deemed to be made or repeated;

(d) if any Borrower or Property Owner is deemed insolvent or unable to pay its debts, suspends making payment, begins negotiations with creditors with a view to readjustment/rescheduling of any of its indebtedness or a moratorium is declared in such regard;

(e) insolvency proceedings are instituted against any Borrower or any Property Owner;

(f) a receiver, liquidator or administrator is appointed in respect of any Borrower or Property Owner, or steps are taken to enforce any Security Interest over the assets of any Borrower or Property Owner;

(g) any asset of a Borrower or Property Owner is subject to creditors' process;

(h) any Borrower or Property Owner ceases to carry on all or a substantial part of its business (except following the disposal of one of more of the Properties);

(i) it becomes unlawful for any Borrower or Property Owner to perform its obligations under the Finance Documents;

(j) the Security Documents fail to create the intended Security Interest or the subordination agreement ceases to be binding;

(k) the entire equity share capital of any Property Owner or Borrower ceases to be beneficially owned by (directly or indirectly) the persons owning the same as of the date of drawdown of the loan without the Lender's prior written consent;

(l) any Headlease under which a Property is held is forfeited (except where such forfeiture is as a result of the failure of the Security Trustee to pay the Headlease rent from sums standing to the credit of the Rent Account);

(m) an event occurs in relation to any Borrower or Property Owner or shareholder which the Lender considers (acting reasonably) would materially adversely affect the ability of such person to comply with its obligations under the Finance Documents;

(n) any litigation or similar proceedings is commenced against any Borrower, shareholder or Property Owner which would be reasonably likely to have a materially adverse affect on its business, financial condition or ability to perform its obligations under the Finance Documents.

In the case of the Portfolio Loan, however, a Credit Agreement Event of Default which occurs in relation to Burford Berkeley Limited or relating to the Mayfair Place Loan, does not constitute a Credit Agreement Event of Default for the purposes of the Portfolio Loan; however, if demand is made of the

Borrowers for the prepayment of £5,000,000 of the Portfolio Loan and that demand is not complied with, such will constitute an Event of Default under the Portfolio Loan.

6. Terms of the Debentures

The Borrowers and Property Owners will each enter into Debentures securing all the obligations of the Portfolio Borrowers (in the case of the Property Owners holding the Portfolio Loan Properties) or the Mayfair Place Borrower (in the case of the Property Owners owning the Mayfair Place Loan Property). The Debentures are drafted on a security trust basis so that the Security Trustee holds the security interest created on trust for the secured parties (being the relative Lender and Security Trustee).

(A) Creation of Security

Each Property Owner in respect of each Property grants a first ranking legal charge in favour of the Security Trustee over its Property and over all estates or interests in any other freehold or leasehold properties belonging to it or subsequently acquired by it. In all Debentures each chargor, in addition to the above security interest, grants first fixed charges over its plant and machinery, interest in monies standing to the credit of any bank account, including the relative Rent Account, Sales Account, Amortisation Reserve Account and Interest Shortfall Account- (see "The Structure of the Accounts — The Accounts"), the benefit of any insurance policies, its book and other debts, its goodwill and uncalled share capital and a floating charge over its assets.

(B) Representations and Warranties

Under all Debentures each chargor makes representations and warranties equivalent to (so far as relevant) those set out in the Credit Agreement (however, where a Borrower makes a representation in a Credit Agreement, such is not repeated in its Debenture) including the following:

(a) due incorporation, power to own its assets and to carry on business;

(b) it has power and authority to perform its obligations under the Finance Documents and the transactions contemplated by the same;

(c) that the transactions contemplated by the Finance Documents do not conflict with any law, regulations, its constitutional documents or other documents binding upon it or its assets;

(d) all authorisations required in connection with the entry into of, or the transactions contemplated by, the Finance Documents have been obtained and are in full force and effect;

(e) no material litigation or other proceedings are current, pending or threatened;

(f) (in the case of a Property Owner only) the Property Owner is a subsidiary of a Borrower;

(g) that information provided to the Security Trustee is true, complete and accurate, contains no material omission and has not been rendered inaccurate by any subsequent event;

(h) the Security Interests created by the Debenture are first priority security interests, not liable to be voided in the event of the chargor's liquidation, administration or otherwise;

(i) all necessary environmental licences and consents have been obtained and all environmental laws have been complied with in all material respects; and

(j) the chargor has not:

(i) engaged in any business other than in connection with the ownership, management and letting of the Properties; nor

(ii) sold or disposed of any asset other than to a third party on arm's length terms; nor

(iii) incurred any actual or contingent liabilities other than in connection with the ownership, letting and management of the Properties and/or pursuant to the Finance Documents, which are outstanding or undischarged.

Each Property Owner makes further representations and warranties in relation to the Property which it owners including the following:

(a) it is the legal or beneficial owner of the Property (as the case may be);

(b) there is no breach of any law or regulation which might materially adversely affect value of the Property;

(c) there are no covenants, reservations or similar matters which might materially adversely affect the Property;

(d) there is nothing which would constitute an overriding interest in respect of the Property;

(e) no facility necessary for the enjoyment and use of the Property is enjoyed on terms entitling any person to terminate or curtail its use;

(f) no notice of any adverse claim relating to the Property has been received; and

(g) the Property is free from any Security Interest (save created pursuant to the Finance Documents);

in each case, save as disclosed in any report or certificate of title or previously in writing to the Security Trustee.

(C) Undertakings

Each Borrower gives undertakings of a similar or equivalent nature (so far as relevant to those contained in the Credit Agreements (but, where an undertaking was given by a Borrower in a Credit Agreement, such was not repeated in the Debenture given by that Borrower) including:

(a) to obtain and maintain all authorisations necessary to enable it to perform its obligations under the Finance Documents;

(b) to procure its obligations under the Finance Documents rank at least pari passu with all its other unsecured obligations (except for those mandatorily preferred by law);

c) not to create or permit to subsist any security interest or dispose of any Property save as permitted by any Finance Document;

(d) to get in and realise book debts (including, in the case of Property Owners, Rental Income due from Occupational Tenants);

(e) to comply with requirements of all environmental legislation and licences applicable;

(f) not to declare any dividend, repay any subordinated borrowings or repay or redeem any share capital, unless the same conditions as apply to the Borrower in the related Credit Agreement are complied with;

(g) to provide the Security Trustee with certain information, including notices or orders served by public or local authorities;

(h) not to carry on any business other than in connection with the ownership, management, disposal or letting or its interest in respect of the Properties;

(i) save as permitted by a Finance Document not to borrow any monies or incur any other indebtedness without the Security Trustee's prior written consent; and

(j) not to commence any steps for the liquidation or administration of itself.

Each Property Owner gives additional undertakings specifically with regard to the Property owned by it, including in relation to the state of:

(a) repair of the Property;

(b) compliance with the terms of leases or agreements for leases;

(c) no development, unless the terms and conditions for the same set out in the Credit Agreement are met; and

(d) the grant or termination of occupational leases in a similar form to those given by the Borrowers in the Credit Agreement.

(D) Enforceability

The security created by the Debentures is expressed to be enforceable immediately upon its execution and at any time after the occurrence of a Credit Agreement Event of Default. The charges confer 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 powers of attorney on behalf of the chargors in connection with the enforcement of its security.

7. Related Security

In addition to the Debentures, all other lenders to any Borrower or Property Owner will enter into a subordination agreement whereby such indebtedness is subordinated to monies outstanding pursuant to the Credit Agreements. The subordination agreements contain additional undertakings on the part of the Borrower/Property Owner not to secure any part of the subordinated liabilities, although the Borrowers may make payments due to the subordinated lenders out of surplus monies released to them under and in accordance with the terms of the Credit Agreement. Each subordinated lender gives various undertakings including, in particular, not to exercise any right of set off, nor take any steps leading to the administration, winding up or dissolution of any Borrower or Property Owner.

The managing agents of the Properties, pursuant to a Duty of Care Agreement, undertake to collect the Rental Income to pay the Net Rental Income into the Rent Account and to notify the Security Trustee of any material breach or Default on the part of the tenant or occupier of the Property, any damage to the Property or any termination of its own appointment.

8. Acquisition

Loan Sale Agreement

Consideration

MSDW Bank will agree to sell and the Issuer will agree to purchase the Loans, and MSDW Bank will assign to the Issuer its beneficial interest in the Security Trusts created over the Debentures and Related Security on the Closing Date. The initial purchase consideration in respect of the Loans and the beneficial interest in the Security Trust will be £341,850,000 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) an amount by way of deferred consideration for the purchase of the Loans and their 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) any Exit Fees and any other amounts received as a result of the prepayment of a Loan (other than principal of or interest on that Loan) received during that Collection Period; plus (b) the Available Interest Receipts less an amount equal to the sum of payments scheduled to be paid on such Interest Payment Date pursuant to items (i) through (xi) 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 Sequential Available Principal and the Pro Rata 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 the directions of the Servicer, into the Transaction Account during that Collection Period, provided that the resulting amount shall not be less than nil. Following enforcement of the Issuer Security, no Deferred Consideration will be payable out of

Available Interest Receipts, although Exit Fees, if any, will be payable to MSDW Bank or the person or persons then entitled thereto in the order of priority set forth in "Credit Structure — Post-Enforcement Priority of Payments" below. For avoidance of doubt, Exit Fees payable upon the sale of a Property following enforcement of the related Loan and Related Security shall be applied as Exit Fees only upon satisfaction in full of the principal amount outstanding under such 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

Written notice will be given within fifteen days after the Closing Date to the Borrowers and Property Owners of the transfer of the Loans to the Issuer and written notice will be given on the Closing Date to the Security Trustee of the assignment of MSDW Bank's beneficial interests in the Security Trusts to the Issuer and the Issuer's assignment by way of security of such beneficial interests.

Representations and Warranties

Neither the Issuer nor the Trustee has made (nor will make) any of the enquiries, searches or investigations which a prudent purchaser of the relevant security would normally make in relation to the Loans, Debentures or 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 in relation to the provisions of the Loan Sale 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 any of the Loans, Debentures or the Related Security.

In addition to all of the foregoing matters concerning the Loans, Debentures and the Related Security and the circumstances in which the advances were made to the Borrowers prior to the assignment of the Loans to the Issuer, both the Issuer and the Trustee will rely entirely on the warranties to be given by MSDW Bank to the Issuer and the Trustee which are contained in the Loan Sale Agreement.

If there is a material breach of any representation and/or warranty in the Loan Sale Agreement in respect of or concerning any Loan, Debenture or Related Security and such breach is not capable of remedy or, if capable of remedy, has not been remedied, MSDW Bank will be obliged either to repurchase the relevant Loan and to accept a re-assignment of its beneficial interests in the Security Trust from the Issuer or to acquire a sub-participation (at MSDW Bank's option) in the relevant Loan for an aggregate amount equal to the outstanding principal amount under the Loans together with accrued interest and costs up to, but excluding, the date of the repurchase (or, in the case of a sub-participation, in that portion of the Loan relating to the Property or Properties affected by the breach).

The Issuer will have no other remedy in respect of such a breach unless MSDW Bank fails to purchase the Loans and to accept a reassignment of its beneficial interest in the Debentures and Related Security or fails to acquire a sub-participation in accordance with the Loan Sale Agreement.

Representations and warranties referred to will include, without limitation, a statement to the following effect (subject to exceptions which relate to security over the Mayfair Place Loan Property granted pursuant to the Portfolio Loan):

(a) each Property constitutes substantially investment property let predominantly for commercial purposes and is either freehold or leasehold;

(b) in relation to each Debenture (except the Debenture granted by the Mayfair Place Borrower) the relative Borrower/Property Owner in respect of each Property had, as at the date of the Debenture, a good and marketable title to the fee simple absolute in possession or a term of years absolute in that property and is either the legal or beneficial owner of the Property, and in relation to the Mayfair Place Loan the warranty was given in relation to Burford (Berkeley) Limited and/or the relevant Property Owners;

(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 (where the freehold title has been deduced) 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 transfer of the Property;

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

(e) in relation to any mortgage where registration is pending at H.M. Land Registry, the Security Trustee or 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 of the interest in the Property which is subject to that mortgage;

(f) in relation to the Loans, prior to making the initial advance, the Properties charged as security were valued for MSDW Bank by a qualified surveyor or valuer and the principal amount advanced under the Portfolio Loan did not exceed 80 per cent. of the value of the Developed Properties and 50 per cent. of the value of the Undeveloped Properties, and the principal amount advanced under the Mayfair Place Loan did not exceed 80 per cent. of the amount of the valuation of the Mayfair Place Loan Property;

(g) the Loans constitute valid and binding obligations of, and are enforceable against, the relative Borrowers;

(h) 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 binding subsisting first charge by way of legal mortgage on the Property to which the mortgage relates, the Security Trustee for MSDW Bank has good title to each mortgage at law and all things necessary to complete the Security Trustee's title to each mortgage has been duly done at the appropriate time or are in the process of being done;

(i) the Security Trustee is the legal and MSDW Bank is the beneficial owner 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 no adverse entries and encumbrances or applications for adverse entries of encumbrances against any title at H.M. Land Registry to any relevant Property which would rank in priority to the Security Trustee's or MSDW Bank's interest therein;

(j) MSDW Bank is the legal and beneficial owner of the Loans free and clear from all encumbrances claims and equities;

(k) prior to the date of the Loans, the nature of and amounts secured by the Loans and Related Security and the circumstances of the Borrowers and Property Owners 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, had been acceptable to a reasonably prudent lender of monies secured on commercial property;

(l) prior to completion of the Loans, Debentures and Related Security, reports or certificates on title (addressed to MSDW Bank and the Security Trustee) in relation to the Properties were 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;

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

(n) pursuant to the terms of the Loans, no Borrower or Property Owner is entitled to exercise any right of set off or counterclaim against MSDW Bank in respect of any amount that is payable under the Loans;

(o) MSDW Bank has not received written notice of any default or forfeiture of any occupational leases between any Property Owner and tenant in relation to the Properties or of the insolvency of any

tenant which would render the relevant Property unacceptable as security for the advance secured by the Related Security in respect of that Property;

(p) 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 Property Owners or Borrowers 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 be equal to such Property's reinstatement value at the time of the original advance and the Security Trustee's interest has been noted or is in the course of being noted on the policy; and

(q) MSDW Bank has undertaken all due diligence that a prudent commercial lender would undertake to establish and confirm that each of the Borrowers and Property Owners has not (save as notified to MSDW Bank in writing) engaged since its formation or incorporation in any activity other than those incidental to its formation or incorporation entering into the Loan, the relevant Debentures and the 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 Loans and Properties provided as security for the Loans.

The warranties are subject to the following material disclosures: (i) part of the Property which is the subject of the Portfolio Loan comprises unoccupied undeveloped land; and (ii) the tenants of the 7th floor at the Mayfair Place Loan Property (360networks (UK) Ltd.) went into administration in July 2001.

No warranties will be given in relation to any Related Security given by any Borrower or Property Owner. Therefore, except to the limited extent of the aforementioned warranty, there can be no assurance that there will be any Related Security for the Loans or, if there is, that such Related Security will be of any value in connection with enforcement of the Loans or would realise any monies which can be applied in satisfaction of any amounts outstanding from any Borrower.

The Loan Sale Agreement contains a warranty from MSDW Bank to the Issuer and the Trustee to the effect that the information in the Offering Circular with regard to the Loans, the Related Security, the Properties and buildings insurance policies which is material in the context of the issue an 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 such warranty.

THE STRUCTURE OF THE ACCOUNTS

1. The Borrowers'/Property Owners' Accounts

In accordance with the terms of the Credit Agreements, the Borrowers are required to procure that there are established separate bank accounts for each of the Loans, each known as a "**Rent Account**".

The Portfolio Borrowers are also obliged to establish further accounts, namely a "**Sales Account**" and an "**Amortisation Reserve Account**", and the Mayfair Place Borrower must also establish an additional "**Interest Shortfall Account**".

The Rent Account, the Sales Account, the Amortisation Reserve Account and the Interest Shortfall Account are together referred to as the "**Accounts**". In the case of the Portfolio Borrowers, the relative Accounts are established in the name of BFL, acting as trustee, who will hold all amounts standing to the credit of such accounts on trust for the Portfolio Borrowers.

The Accounts are expressed to be subject to a first fixed charge in favour of the Security Trustee, held by it on trust for the Lender. The charges over the Accounts are expressed to be fixed charges but may take effect as floating charges (see "Risk Factors — The Issuer's ability to meet its obligations under the Notes — the tenants" herein). The beneficial interest in the Security Trusts will be assigned by MSDW Bank to the Issuer on the Closing Date. MSMS is and, following the sale by MSDW Bank of the Loans and the assignment of the beneficial interests in the Security Trusts created over the Related Security to the Issuer, will remain the sole signatory on each of the Accounts in its capacity as Security Trustee. The functions of each of the Accounts are set out below:

The Rent Account

The managing agents for each Property collect all Rental Income from the tenants. Net Rental Income is paid into the relative managing agent's client account and is then transferred into the relative Rent Account and the Borrowers have agreed to procure that the managing agents collect all Rental Income and that the Net Rental Income is paid into the Rent Account in accordance with the Duty of Care Agreement.

In certain circumstances, including amongst other things where there is an Event of Default outstanding, where there is no managing agent or where the managing agents are in breach of material provisions of the Duty of Care Agreements, the relative Borrowers/Property Owners are obliged to ensure that all Rental Income is paid by the tenants directly into the relative Rent Account subject to provision for release of certain amounts to the Borrowers/Property Owners upon receipt by the Lender of satisfactory evidence that such amounts are not Net Rental Income.

Payments in respect of accrued interest and fees under the Loans, as well as amongst other things rents payable pursuant to any Headlease, will be made from the relative Rent Account by the Security Trustee. Subject to the satisfaction of various conditions, and if required transfer of any monies to one or more of the other accounts (where permitted), the Borrowers will be entitled to direct the balance remaining on the Rent Account after payment of all amounts required to be paid to the Issuer under the relative Credit Agreement to be transferred to the nominated Borrower.

There is a separate, independent Rent Account for each of the Loans. Rental Income or Net Rental Income derived from the Portfolio Loan Properties must be paid into the Rent Account relating to the Portfolio Loan, and Rental Income or Net Rental Income derived from the Mayfair Place Loan Property must be paid into the Rent Account in respect of the Mayfair Place Loan. No monies standing to the credit of the Rent Account in respect of the Portfolio Loan may be applied towards payment of any amounts due under the Mayfair Place Loan, and vice versa.

Under the Servicing Agreement, the Servicer is required, within fifteen days after the Closing Date, to notify the Borrowers that MSDW Bank has assigned the Loans to the Issuer.

The Sales Account (Portfolio Loan only)

The Portfolio Borrowers/Portfolio Loan Property Owners are required to deposit an amount in respect of sale proceeds in connection with the disposal of any of the Portfolio Loan Properties into the Sales Account, as described in "The Loans and the Related Security — 5. Terms of the loans — *(E) Release of Properties*" above.

The Security Trustee may at any time authorise a withdrawal from the Sales Account for any of the following purposes:

(a) (where there are insufficient monies in the Rent Account) to pay amounts due but unpaid under the Finance Documents relating to the Portfolio Loan;

(b) to assist the Portfolio Borrowers to acquire a further Property to be the subject of additional security; and

(c) to enable the Borrowers to make payments in respect of capital improvements on a Portfolio Loan Property.

Furthermore, the Security Trustee must authorise a withdrawal from the Sales Account requested by the Borrowers where it is for the purpose of making a prepayment of the Loan in accordance with the terms of the Portfolio Loan Credit Agreement. Where there is no Event of Default outstanding, amounts paid into the Sales Account in excess of those required to be deposited in respect of a Released Property can be released to BFL upon request.

The Amortisation Reserve Account (Portfolio Loan only)

On each Loan Payment Date, after payment of monies from the Rent Account in respect of the Portfolio Loan in respect of interest due to the Lender, Headlease rent, service charge shortfall and the costs of capital improvement to any of the Portfolio Loan Properties, any balance must be transferred into the "**Amortisation Reserve Account**" until the following conditions are met:

(a) the Interest Cover Percentages are equal to or greater than 120 per cent.;

(b) the principal amount of the Loan, less monies standing to the credit of the Sales Account, is equal to or less than the aggregate of 70 per cent. of the value of the Investment Properties and 50 per cent. of the value of the Undeveloped Properties;

(c) no Default is subsisting; and

(d) the Borrowers having supplied the requisite compliance certificate.

The Security Trustee must authorise withdrawals from the Amortisation Reserve Account to make prepayments of the Portfolio Loan on a Loan Payment Date but, once the above conditions are satisfied, the Amortisation Reserve Account is to be closed and all monies standing to the credit of this account are then to be released to the Portfolio Borrowers.

The Interest Shortfall Account (Mayfair Place Loan only)

The Mayfair Place Borrower has paid the sum of £1,800,000 into the Interest Shortfall Account. The Security Trustee may authorise withdrawals from this account at any time (a) to pay interest due in respect of the Mayfair Place Loan (where there are insufficient monies in the Rent Account in respect of the Mayfair Place Loan); or (b) if a Default has occurred and there are insufficient monies in the Rent Account in respect of the Mayfair Place Loan, to pay any amounts due but unpaid in respect of the Mayfair Place Loan.

2. 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 into which the Security Trustee, acting on the instructions of the Servicer, will transfer all amounts of principal and interest paid by the Borrowers and from which the Cash Manager will make all payments required to be made under the Cash Management Agreement (the "**Transaction Account**"). The share capital proceeds of the Issuer will also be deposited into the Transaction Account.

The Swap Collateral Cash Account and the Swap Collateral Custody Account

If the Swap Agreement Credit Support Annex is entered into, cash amounts received by the Issuer pursuant to the Swap Agreement Credit Support Annex will be paid into an interest bearing account in the name of the

Issuer with the Operating Bank (the "**Swap Collateral Cash Account**") and securities received by the Issuer pursuant to the Swap Agreement Credit Support Annex will be deposited into a custody account (the "**Swap Collateral Custody Account**") with the Operating Bank. From time to time, subject to conditions to be specified in the Swap Agreement Credit Support Annex, the Swap Provider may make transfers of collateral to the Issuer in support of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Annex.

The Swap Collateral Cash Account, the 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 (as defined below) which the Issuer may require from the Liquidity Facility Provider (see "Credit Structure — Liquidity Facility") shall 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 an "A-1+" rating (or its equivalent) by S&P or a "P-1" rating (or its equivalent) by Moody's 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 LOAN POOL

The aggregate of the principal balances within the Loan Pool, as at the Cut-Off Date, was £341,850,000. All of the Loans were current as of the Cut-Off Date.

The Mayfair Place Loan had, at origination, a maturity of approximately 4.4 quarters (approximately 1.1 years). The Portfolio Loan had, at origination, a maturity of approximately 12.4 quarters (approximately 3.1 years). The Loans bear interest quarterly on the current principal balance outstanding (the "**Current Principal Balance**"). Each Loan may consist of one or more tranches (each a "**Tranche**") which may differ in terms of interest rate characteristics, principal repayment profile and maturity. In addition, each Loan may be secured by a first fixed charge on more than one Property.

The following pages contain certain tables setting out statistics relating to the Loan Pool. The defined terms set forth in and the assumptions behind the tables are as follows:

(a) "**Cut-Off Date**" means the date as at which the information is provided, being 10th July, 2001.

(b) "**Last Payment ICR**" means the Interest Cover Ratio ("**ICR**") calculated as at origination by reference to the maturity date (rather than at the Cut-Off Date or any other date).

(c) "**Cut-Off Date ICR**" means the ICR calculated as at origination by reference to the Cut-Off Date. The Cut-Off Date ICR for the Portfolio Loan is calculated on the total rent received for the first rental period.

(d) "**Cut-Off Date LTV**" means the loan to value ratio of the Loan as of the Cut-Off Date and the relevant Property value as set out in the relevant Initial Valuation, where the balance of the Portfolio Loan is defined as the original balance less any surplus cash in the Amortisation Reserve Account.

(e) "**Balloon LTV**" means the loan to value ratio of the Loan determined by using the value of the relevant Property as set out in the relevant Initial Valuation and the projected scheduled principal amount of the Loan outstanding as at the maturity date. The balloon payments are expected to be paid on the maturity date. The Balloon LTV of the Portfolio Loan is defined as the original balance less the £5,000,000 received upon any repayment or exit of the Mayfair Place Loan and the total of surplus cash in the Amortisation Reserve Account.

Because the calculation of the Last Payment ICR and the Balloon LTV are based on the amount of rent expected on the relevant payment dates, it is important to take into account the method by which the rental cashflows are modeled. The assumptions on which the rental cashflows model is based are the following:

(a) For each lease agreement, the contractual rent from the tenant is received by the Borrower up to the earlier of the maturity date or the break option date, where one is present.

(b) When the lease agreement involves a contractual rent increase, such contractual rent increase is taken into account.

(c) The rent received from tenants is net of both ground rent and irrecoverable property expenses.

(d) At either the maturity date or the break option date, where a break option is present in the lease agreement, it is assumed that the tenant leaves/exercises the break option and the space vacates.

(e) The time assumed to re-let a space after an expiry date or break date is six months for all of the Loans.

(f) It is also assumed that the space is re-let for the remainder of the term of the Loan for a rent equal to the lower of the contractual rent immediately prior to the relevant expiry date or break date and the estimated rental value of that space.

(g) When a space is originally vacant, it is assumed that such space remains always vacant (however, as a tenant of the Mayfair Place Property, 360networks (UK) Ltd. is in administrative proceedings, and in June 2001 its parent company (who also acts as guarantor under the lease), 360networks Inc., filed for bankruptcy protection in Canada, it is assumed (for these purposes) that this space is currently vacant as of the Cut-Off Date, and that the space will be re-let in December 2001 at the estimated rental value).

Summary Loan Statistics

	Mayfair Place Loan	Portfolio Loan
Number of Properties	1	13
Cumulative Property Value	200,000,000†	235,750,000‡
Loan Rate	6.55%	6.99%
Margin	1.00%	1.20%
Maturity Date	25th July 2002	23rd July 2004
Cut off Date LTV	80.0%	76.2%
Balloon LTV	80.0%	72.2%
Cut Off Date ICR	100.0%*	111.0%
Last Payment ICR	118.0%	119.0%

† Provided by DTZ, on an open market value basis as at 7th August, 2001 and as set forth in Appendix 2 hereto.
‡ Provided by DTZ, on an open market value basis as at 25th May, 2001.
* Due to rent-free periods in the Mayfair Place Property.

Region

Region	Number of Properties	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Aggregate Property Value	Percent by Aggregate Property Value	Weighted Average Cut-Off Date Allocated LTV †
		(£)		(£)		
Central London	2	163,200,000	47.7%	204,000,000	46.8%	80.0%
East Anglia	1	14,800,000	4.3%	18,500,000	4.2%	79.0%
Midlands	1	1,800,000	0.5%	2,250,000	0.5%	79.0%
North East	2	9,200,000	2.7%	11,500,000	2.6%	79.0%
North West	3	71,200,000	20.8%	89,000,000	20.4%	79.0%
South East	2	59,600,000	17.4%	74,500,000	17.1%	79.0%
South West	3	22,050,000	6.5%	36,000,000	8.3%	63.9%
Total	14	341,850,000	100.0%	435,750,000	100.0%	78.0%

† Where the balance on the Portfolio Loan is defined as the original balance less any surplus cash in the Amortisation Reserve Account.

Property Type

Property Type	Number of Properties	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Aggregate Property Value	Percent by Aggregate Property Value	Weighted Average Cut-Off Date Allocated LTV †
		(£)		(£)		
Office	3	165,200,000	48.3%	206,500,000	47.4%	80.0%
Land	1	11,250,000	3.3%	22,500,000	5.2%	49.4%
Retail	3	121,600,000	35.6%	152,000,000	34.9%	79.0%
Industrial	3	16,400,000	4.8%	20,500,000	4.7%	79.0%
Ground Rent	3	12,600,000	3.7%	15,750,000	3.6%	79.0%
Retail Warehouse	1	14,800,000	4.3%	18,500,000	4.2%	79.0%
Total	14	341,850,000	100.0%	435,750,000	100.0%	78.0%

† Where the balance on the Portfolio Loan is defined as the original balance less any surplus cash in the Amortisation Reserve Account.

SERVICING

Introduction

Pursuant to the Servicing Agreement, each of the Issuer, the Security Trustee and the Trustee will appoint MSMS as the Servicer and the Special Servicer to be its agent to provide certain services in relation to the Loans and the Security Trusts comprising the Related Security. Each of the Servicer and the Special Servicer has agreed with the Issuer, the Security Trustee and the Trustee that it will provide the services to be performed under the Servicing Agreement in such a manner as it would be reasonable to expect a reasonably prudent lender of money secured on commercial property to act in servicing mortgages over commercial property which are beneficially owned by it and that it will comply with any reasonable directions, orders and instructions which the Issuer, the Security Trustee or the Trustee may from time to time give to the Servicer or the Special Servicer, as the case may be, in accordance with the provisions of the Servicing Agreement. If, in the course of providing the services, a conflict arises between the interests of the Servicer or the Special Servicer or any affiliate of either of them on the one hand and the interests of the Noteholders on the other, the interests of the Noteholders shall prevail.

Each of the Servicer and the Special Servicer may become the owner or otherwise hold an interest in the Notes 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 will not be taken into account by any person when evaluating whether actions of the Servicer or Special Servicer were consistent with above standards.

Payments from Borrowers

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 Accounts. 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) any Exit Amount,

and will determine which portions of Borrower Principal Receipts in the Rent Accounts consist of Prepayment Redemption Funds, Final Redemption Funds and Principal Recovery 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 instructions to the Security Trustee to transfer payments from the various Rent Accounts into the Transaction Account whereupon such moneys 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 each Borrower and the related Loan in accordance with its servicing procedures (the "**MSMS Servicing Procedures**"). The Servicer is authorised to conduct this review process more frequently if the Servicer, acting as a reasonably prudent lender of money secured on residential and commercial property, has cause for concern as to the ability of the Borrower to meet its financial obligations under the Credit Agreement. Such a review may include an inspection of Properties and will include consideration of the quality of the cash flow arising from the Properties and a compliance check of all of the Borrower's covenants under the relevant 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 and available to the Special Servicer.

Quarterly Arrears Report

The Servicer has agreed to deliver to the Issuer, the Trustee, the Special Servicer, the Cash Manager and the Rating Agencies within 10 Business Days after the end of each Interest Period, a report in which it will notify

the Issuer, the Trustee, the Special Servicer, the Cash Manager and the Rating Agencies of any Loans then known by the Servicer to be in arrears or in respect of which the Borrower or the Mortgagor is known by the Servicer to be in breach of any other term of its Credit Agreement or Related Security. 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 production of any such report and available to the Special Servicer. A summary of each such report produced (or, if more than one, the most recent report) will be included in the quarterly investor report available to Noteholders on request from the Trustee. Such report will include, among other things, the following:

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

(b) a listing of those Loans that were 1-90 days in arrears, 91-180 days in arrears and over 180 days in arrears;

(c) a listing of those Loans in respect of which enforcement had begun at the end of the most recently ended Collection Period, including the individual Loan and total arrears balances, the number of such Loans 1-3 months in arrears, 4-6 months in arrears and more than 6 months in arrears;

(d) details of Loans in which enforcement procedures were completed and the amounts written-off;

(e) details of Loans in which the applicable Borrower or Mortgagor or Mortgagors are known by the Servicer to be in breach of any term of their Loan or Related Security likely to prejudice the value of the relevant Loan or Related Security; and

(f) details of Loans previously written-off on which recoveries were made during the most recently ended Collection Period.

Arrears and Default Procedures

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of all Loans. Each of the Servicer and the Special Servicer is required to use all reasonable endeavours to recover amounts due from defaulting Borrowers. Each of the Servicer and the Special Servicer has agreed, in relation to any Default under or in connection with a Credit Agreement and its Related Security, to comply with the procedures for enforcement of Loans and 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 instructions to the Security Trustee as to how to enforce the security held by the Security Trustee pursuant to the Security Trusts.

Upon the instructions of the Issuer, the Trustee, the Servicer or, as the case may be, the Special Servicer (where appointed in respect of a Specially Serviced Loan), the Security Trustee shall, subject to the provisions of the relevant Debenture and the Credit Agreement, appoint a receiver 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 related Borrower to the extent necessary to repay the Loan.

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**") in respect of any Loan which becomes a Specially Serviced Loan. A Loan will become a "**Specially Serviced Loan**" if (a) the interest cover percentages (being the proportion (expressed as a percentage) which the Net Rental Income payable to or for the benefit of the relevant Borrower(s) over (i) 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**") is less than 105 per cent. (in the case of the Portfolio Loan) or less than 100 per cent. (in the case of the Mayfair Place Loan) and (b) the Controlling Party elects to appoint the Special Servicer to act as such in relation to such Loan.

Notwithstanding the appointment of the Special Servicer in respect of a Loan, the Servicer will continue to have certain limited responsibilities relating to loan administration in respect of the Specially Serviced Loan, but shall not be liable for the actions of the Special Servicer (if a person other than itself). Furthermore, if the Interest Cover Percentage of the Portfolio Loan is equal to or less than 125 per cent. but equal to or greater than 105 per cent., or if the Interest Cover Percentage of the Mayfair Place Loan is equal to or less than 125 per cent. but equal to or greater than 100 per cent., then in either such case the Servicer shall promptly give notice thereof to the Special Servicer and shall consult with the Special Servicer in relation to the future servicing or exercise of rights in respect of that Loan and/or Related Security.

The Controlling Party may also 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 each Specially Serviced Loan: (a) appointment of a receiver or similar actions to be taken in relation to the Specially Serviced Loan (b) the amendment, waiver or modification of any term of the applicable Credit Agreement which affects the amount payable by the relevant Borrower(s) or the time at which any amounts are payable, or any other material term of the relevant Loan documentation; (c) the proposed sale of a Specially Serviced Loan for less than its outstanding principal amount; (d) any action taken in order to ensure compliance with environmental laws at the relevant Property; and (e) the release of any part of a Specially Serviced Loan's Related Security, or the acceptance of substitute or additional Related Security other than in accordance with the terms of the relevant Loan documentation. Before taking any action in connection with the matters referred to in (a) to (e) 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 (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 shall not be obliged to obtain the approval of the Operating Adviser for any actions to be taken with respect to any 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 such 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 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; (b) may act solely in the interests of the holders of the Controlling Party; (c) has no duties to Noteholders, except for the Controlling Party; (d) may act to favour the interests of the Controlling Party over the interests of other Noteholders; 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, administer the arrangements for insurance in respect of, or in connection with, the Loans and the Related Security. The Servicer will establish and maintain procedures to ensure that all buildings insurance policies in respect of the Properties are renewed on a timely basis.

Upon receipt of notice that any policy of buildings insurance has lapsed or that any Property is otherwise not insured against fire and other perils (including subsidence) under a comprehensive buildings insurance policy or similar policy in accordance with the terms of each Loan, the Servicer or the Special Servicer (in respect of a Specially Serviced Loan) is required, at the cost of the Issuer, to arrange such insurance, except in respect of any Borrower or tenant who is a Self-Insured Entity. Under the terms of the Loans, each Borrower will be required to reimburse the Issuer 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 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, shall not be released or discharged from any liability thereunder and shall 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 Loans (other than Specially Serviced Loans in respect of which the Special Servicer is being paid the Special Servicer 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 residential or 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 a Loan and its Related Security (including any substitute servicer). Prior to an enforcement of the Issuer Security, the Servicing Fee is payable in priority to payments on the Notes until the Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes, after deduction of any Applicable Principal Losses and after providing for all amounts to be applied in redemption of the Notes or any class thereof on such Interest Payment Date, is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the date of issuance thereof. On each Interest Payment Date following the Interest Payment Date referred to in the previous sentence and prior to enforcement of the Issuer Security, the Servicing Fee will be subordinated to the amounts payable on the Notes. Following enforcement of the Issuer Security, the Servicing Fee will be payable in priority to payments on the Notes. This order of priority has been agreed with a view to procuring the continuing performance by the Servicer of its duties in relation to the Issuer, the Security Trustee, the Trustee, the Loans, the Related Security and the Notes. See "Credit Structure".

Special Servicer Fee and Liquidation Fee

Pursuant to the Servicing Agreement, if the Special Servicer is appointed in respect of a Loan and the Loan is consequently designated as a Specially Serviced Loan, the Issuer shall pay to the Special Servicer a fee (a "**Special Servicer 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 such Loan is designated as a Specially Serviced Loan and ending on the date the Property the subject of such Loan is sold on enforcement or the date on which the Interest Cover Percentages in respect of such Loan has been maintained at or above 105 per cent. (in the case of the Portfolio Loan) or at or above 100 per cent. (in the case of the Mayfair Place Loan) for a period of three consecutive months, as applicable. The Special Servicer Fee shall accrue on a daily basis over such period and shall 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 shall be payable in respect of any Specially Serviced Loan in respect of which the Special Servicer Fee is payable. In addition to the Special Servicer Fee, the Special Servicer shall be entitled to a fee (a "**Liquidation Fee**") in respect of a Specially Serviced Loan equal to 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 such Specially Serviced Loan. The Liquidation Fee shall 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 each relevant Specially Serviced Loan, and notified to the Trustee and the Servicer in writing, and shall be payable out of Principal Recovery Funds on the Interest Payment Date immediately following the receipt of such net proceeds, provided that no amount shall 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 shall be allocable to any class of Notes, other than the most junior class of Notes outstanding immediately prior to such Interest Payment Date, by reason of the deduction of the Liquidation Fee from the net proceeds of sale.

Ability to Purchase Loans and Related Security

The Issuer has, pursuant to the Servicing Agreement, granted to the Servicer the option on any Interest Payment Date under the Notes, to purchase all, but not some only, of the Loans and the Related Security; provided that on the Interest Payment Date on which the Servicer intends to purchase the Loans and Related Security the then aggregate Principal Amount Outstanding of all the Notes would be less than 10 per cent. of their Principal Amount Outstanding as at the Closing Date. The Servicer must give the Issuer and Trustee not more than 60 nor less than 30 day's written notice of its intention to purchase the Loans. The purchase price to be paid by the Servicer to the Issuer shall be an amount equal to the then principal amount outstanding of the Loans less an amount equal to any principal that has become due and payable pursuant to the relevant Credit Agreement, but which have not been paid and which has consequently given rise to an Applicable Principal Loss in respect of the Notes, plus accrued but unpaid interest on the Loans.

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.

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 any Loan (otherwise than by reason of that 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 duties and obligations of the Special Servicer in respect of that Loan.

In addition, upon any reduction to zero of the aggregate 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 shall be entitled, by an Extraordinary Resolution passed by the Controlling Party (as defined in Condition 4(*C*)), 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.

Each of the Servicer and the Special Servicer may terminate its appointment upon not less than three months' notice to each of the Issuer, 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 downgraded, withdrawn or qualified 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, shall forthwith deliver to the Trustee or as it shall direct all documents, information, computer stored data and moneys held by it in relation to its appointment as Servicer or the Special Servicer, as the case may be, and shall 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 Security Trustee nor the Trustee has any further interest in any of the Loans or 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 Security Trustee has authorised the Servicer and the Special Servicer, as necessary, to give a receiver appointed pursuant to a Debenture an indemnity on their behalf

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 residential and commercial property.

The Servicer or the Special Servicer, as the case may be, and the Security Trustee will use its best endeavours to ensure that the receiver appointed in respect of any Loan and/or Related Security shall sell 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 (in respect of a Specially Serviced Loan) on behalf of the Issuer, 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. In particular, the Servicer or the Special Servicer, as the case may be, may not agree to the release and/or substitution of any Portfolio Loan Property if the value of the Property to be released (calculated by reference to its Initial Valuation) exceeds 15 per cent. of the aggregate value of the Portfolio Loan Properties (calculated by reference to their respective Initial Valuations or Additional Property Valuations, as appropriate) unless the Rating Agencies have agreed that such release and/or substitution shall not result in the then current ratings of the Notes being downgraded, withdrawn or qualified.

Notwithstanding the foregoing, neither the Servicer nor the Special Servicer will be liable for any obligation of a Borrower or a Mortgagor under any Credit Agreement or any Related Security, have any liability to any third party for the obligations of the Issuer or the Trustee under the Notes or any of the documents listed under paragraph 10 of "General Information" (the "**Relevant Documents**") or have any liability to the Issuer, 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.

The Servicer may also advise the Issuer as to whether to exercise its option to redeem the Notes pursuant to Condition 6(*d*).

CASH MANAGEMENT

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 AIB International Financial Services Limited (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 moneys 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, AIB Group (UK) plc (in this capacity, the "**Operating Bank**") will open and maintain the Transaction Account, (if the Swap Agreement Credit Support Document is entered into) the Swap Collateral Cash Account, the Stand-by Account and, if required, the 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 or the 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 instruct the Security Trustee to transfer all Borrower Interest Receipts, Borrower Principal Receipts and Exit Fees from the Rent Accounts (and, if relevant, the Swap Collateral Cash Account) into the Transaction Account; all payments required to be made by the Issuer to the Swap Provider under the Swap Agreement will be deducted from the Transaction Account. In addition, all payments made by the Swap Provider and/or the Swap Guarantor, other than those contemplated by the Swap Agreement Credit Support Document and all drawings under the Liquidity Facility Agreement will be paid into the Transaction Account. See "Servicing" and "Credit Structure — The Swap Agreement" and "— Liquidity Facility". Once such funds have been credited to the Transaction Account, the Cash Manager is required to apply such funds in accordance with the Deed of Charge and Assignment and the Cash Management Agreement.

On each Calculation Date (being the second business day prior to the relevant Interest Payment Date), the Cash Manager is required to determine, from 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(*f*)) 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(*f*).

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, 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 an optional redemption of Notes pursuant to Condition 6(*c*), Condition 6(*d*) or Condition 6(*e*), in each case according to the provisions of the relevant Condition. See further "Terms and Conditions of the Notes".

In the event that the Cash Manager determines on any Calculation Date (on the basis of information provided to it by the Servicer) that a shortfall in Scheduled Interest Receipts will arise in respect of a particular 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 Agreement or the Cash Manager determines certain Revenue Priority Amounts which fall due on a date other than an Interest Payment Date 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 shall maintain the following ledgers:

(a) the Interest Ledger;

(b) the Principal Ledger;

(c) the Liquidity Ledger; and

(d) the Exit Fee Ledger.

The Cash Manager shall 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 Prepayment Redemption Amount, Available Final Redemption Amounts and Available Principal Recovery Funds;

(c) credit the Liquidity Ledger with any payments made to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement and the Deed of Charge and Assignment, and debit the Liquidity Ledger with all drawings under the Liquidity Facility Agreement; and

(d) credit the Exit Fee Ledger with all Exit Fees and debit the Exit Fee Ledger with all payments made out of Exit Fees.

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 (the "**Cash Manager Quarterly Report**") in respect of each Calculation Date in which it will notify the recipients of, *inter alia*, all amounts received in the 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 shall not be released or discharged from any liability thereunder and shall 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 for all costs and expenses properly incurred by the Cash Manager in the performance of the Cash Management Services. Any successor cash manager will receive remuneration on the same basis.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), the Issuer will pay the cash management fee to the Cash Manager and the operating bank fee to the Operating Bank and will reimburse the Cash Manager for its costs and expenses, all 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 its duties in relation to the Issuer, the Trustee, the Loans, the Related Security and the Notes.

Termination of Appointment of the Cash Manager

The appointment of AIB International Financial Services Limited 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 ten Business Days, 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 six 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 shall have been appointed.

Termination of Appointment of the Operating Bank

The Cash Management Agreement requires that the Operating Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If AIB Group (UK) plc ceases to be an Authorised Entity (as defined below), 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 shall obtain the prior written consent of the Issuer and the Trustee, and the transfer of such account shall be subject to the same directions and arrangements as are provided for above.

CREDIT STRUCTURE

The composition of the Loans 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 each of the Liquidity Facility Provider and the Swap Guarantor. Consequently, a downgrade, withdrawal or qualification 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 Loans and Related Security.

1. Liquidity, Credit and Basis Risk

The Issuer is subject to:

(a) the risk of delay arising between the receipt of payments due from Borrowers and the scheduled Loan Payment Dates. This risk is addressed in respect of the Notes through drawings under the Liquidity Facility Agreement to cover certain third party expenses and Borrower Interest Receipts and by the liquidity support provided to classes of Notes by those classes of Notes (if any) ranking beneath 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 relevant Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrower under a 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 beneath that class; and

(c) the risk of the interest rates payable by the Borrowers on the Loans 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 Swap Transaction (see "The Swap Agreement" 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 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 Swap Provider, the Swap Guarantor, 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 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 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 D Notes and 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 each of the Class D Notes and 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 shall 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 D Notes and/or the Class E Notes, as applicable, exceeds the Adjusted Interest Amount in respect of such class, the debt that would otherwise be represented by such shortfall shall be extinguished, and the affected Noteholders shall have no claim against the Issuer in respect thereof.

To a limited extent, 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. The aggregate of the sum of (a) the Sequential Percentage of funds which are available in respect of payments of principal on the Notes as described in the definitions of Available Prepayment Redemption Funds and Available Final Redemption Funds (but excluding a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full) and (b) funds which are available in respect of payments of principal on the Notes as described in the definition of Available Principal Recovery Funds in Condition 6(*b*) will be applied first, in paying principal on the Class A1 Notes until all the Class A1 Notes have been redeemed in full and secondly, in paying principal on the Class A2 Notes, until all the Class A2 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".

However, the aggregate of the sum of (a) the Pro Rata Percentage of funds which are available in respect of payments of principal on the Notes as described in the definitions of Available Prepayment Redemption Funds and Available Final Redemption Funds and (b) a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full, will be applied, *pari passu* and *pro rata*, in paying principal 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 (provided, however, that any payments to the Class A Notes shall be applied first, in paying principal on the Class A1 Notes until all the Class A1 Notes have been redeemed in full, and second, in paying principal on the Class A2 Notes until all the Class A2 Notes have been redeemed in full), 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 in respect of the Deed of Charge and Assignment and any amounts due and payable to any receiver appointed under a Loan and/or its Related Security; then (b) to the Swap Provider in respect of amounts due or overdue to it under the Swap Agreement and, if entered into, the Swap Agreement Credit Support Document; 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 *pari passu* and *pro rata* the Special Servicer in respect of any Special Servicer Fees and *pari passu* and *pro rata* any other amounts due to the Servicer and the Special Servicer pursuant to the Servicing Agreement; 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) the Liquidity Facility Provider under and in accordance with the

Liquidity Facility Agreement in respect of Interest Drawings, Accrued Interest Drawings and Expenses Drawings (each as defined below), the commitment fee and any Mandatory Costs;

(ii) in or towards payment of (a) *pari passu* and *pro rata*, interest due or overdue (and all interest due on such overdue interest) on the Class A1 Notes and the Class A2 Notes; and after payments of all such sums (b) *pari passu* and *pro rata* all amounts of principal due or overdue on the Class A1 Notes and the Class A2 Notes and all other amounts due in respect of the Class A1 Notes and the Class A2 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) on the Class B Notes; and after payments of all such sums (b) all amounts of principal due or overdue on the Class B Notes and all other amounts due 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) in or towards payment of any amounts due and payable by the Issuer to the Special Servicer in respect of any Liquidation Fee;

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

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

Upon enforcement of the Issuer Security, the Trustee will have recourse only to the rights of the Issuer to the Loans and 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 Loans and, in certain limited circumstances, the Related Security (as to which, see further "The Loans and the Related Security — Representations and Warranties") and breach of other provisions specified therein, and (b) in relation to the Servicing Agreement and the Subscription Agreement for breach of the obligations of MSMS and 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 and the Trustee, all 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 Servicer Fee and Liquidation Fees, the Cash Manager, the Corporate Services Provider, the Share Trustee, the Operating Bank, the Depository, all payments due to the Swap Provider under the Swap Transaction and all payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement 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 A1 Noteholders and the Class A2 Noteholders will rank *pari passu* and all amounts owing to the Class A Noteholders will rank ahead of all amounts owing to the Class B Noteholders. All amounts owing to the Class B Noteholders will rank ahead of all amounts owing to the Class C Noteholders. All amounts owing to the Class C Noteholders will rank ahead of all amounts owing to the Class D Noteholders. All amounts owing to the Class D Noteholders will rank ahead of 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 shall 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, shall be extinguished and the Trustee, the Noteholders and the 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, 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 shall 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 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 aggregate amount of £25,000,000. However, on any Interest Payment Date on which 15 per cent. of the then outstanding aggregate principal amount of the Loans equals less than £25,000,000 the loan facility commitment will be reduced to such an amount, subject to the liquidity facility commitment at any time being no less than the lesser of £7,500,000 and 25 per cent. of the then outstanding aggregate principal amount of the Loans.

If on any Business Day the Cash Manager determines that an Expenses Shortfall will arise, the Cash Manager may, on behalf of the Issuer, make a Liquidity Drawing on the next Business Day in an amount equal to the relevant Expenses Shortfall.

On each Calculation Date, the Cash Manager will determine (on the basis of information provided to it by the Servicer) whether an Interest Shortfall or Accrued Interest Shortfall (each as defined below) will arise in respect of any of the Loans on the next following Interest Payment Date and, if so, will make Interest 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 shall be credited to the Transaction Account.

An "**Interest Shortfall**" will arise in respect of a Loan on an Interest Payment Date if the Borrower Interest Receipts received in respect of such Loan during the related Collection Period (other than voluntary prepayments of interest) were less than the Scheduled Interest Receipts for that Collection Period.

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

The "**Scheduled Interest Receipts**" for a Loan in a Collection Period include all payments of interest, fees (other than any Exit Fees) breakage costs, expenses, commissions and other sums due and payable by the Borrower or Borrowers during that Collection Period (other than any payments in respect of principal). The amount of Scheduled Interest Receipts due in a Collection Period will be calculated on the assumption that the Borrower(s) has made all prior payments under the applicable Credit Agreement when due. However, if (a) on any Interest Payment Date there are insufficient funds available under the Liquidity Facility Agreement to enable the Issuer to draw the amount it would otherwise be entitled to draw in respect of an Interest Shortfall (i.e. there is a "**Liquidity Facility Deficiency**"), the "Scheduled Interest Receipts" due from the Borrower or Borrowers 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; and (b) if a Borrower defaults in the payment of the Final Redemption Funds due in respect of that Borrower's Loan, the "Scheduled Interest Receipts" due from such Borrower during each Collection Period after the date on which such Final Redemption Funds became due will be the amount of interest (including, without limitation, overdue interest), fees, breakage costs, expenses, commissions and other sums (other than any amount of principal then payable) that the Borrower is required to pay under the terms of the applicable Credit Agreement as a result of the failure to pay the Final Redemption Funds when due.

If completion of the Enforcement Procedures takes place in respect of a Shortfall Loan during a Collection Period, the Liquidity Drawings associated with that Shortfall Loan shall be repaid in full on the next following

Interest Payment Date. If completion of the Enforcement Procedures does not take place in respect of a Shortfall Loan, the related Liquidity Drawings shall be repaid on each Interest Payment Date as follows:

(1) Interest Drawings made in respect of a particular Shortfall Loan shall be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received in respect of such Shortfall Loan during the immediately preceding Collection Period exceed the Scheduled Interest Receipts due in respect thereof in such Collection Period; provided however that (a) to the extent that the excess of Borrower Interest Receipts over Scheduled Interest Receipts received in respect of a Shortfall Loan during a Collection Period is insufficient to fully repay the Interest Drawings then outstanding in relation to such Shortfall Loan, any Borrower Principal Receipts received in respect of such Shortfall Loan during such Collection Period shall be applied towards such repayment and (b) the amount repayable on any Interest Payment Date shall not exceed the aggregate of all Interest Drawings then outstanding in respect of the relevant Shortfall Loan on such Interest Payment Date;

(2) Accrued Interest Drawings shall be repayable on the Interest Payment Date on or following the Interest Payment Date on which all Interest Drawings and Liquidity Drawings relating to the same Shortfall Loan as the Accrued Interest Drawings in question have been repaid in full, provided that the amount repayable on any Interest Payment Date shall not exceed the aggregate of all Accrued Interest Drawings then outstanding in respect of the relevant Shortfall Loan; and

(3) Expenses Drawings are repayable in full on the Interest Payment Date immediately following the date on which they were drawn.

If Borrower Interest Receipts received in respect of a Shortfall Loan during a Collection Period are insufficient to repay the Interest Drawings and Accrued Interest Drawings then outstanding in respect of such Shortfall Loan, any Available Prepayment Redemption Funds received during that Collection Period as a result of the sale of a Property which is part of the Related Security related to such Shortfall Loan shall be applied towards the repayment of such Interest Drawings and Accrued Interest Drawings.

Not later than the earlier of (i) the date 120 days after the occurrence of any non-payment with respect to 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 related Borrower or Borrowers or an administration order shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the related Borrower or Borrowers or a related 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 a 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 a Loan becomes a Specially Serviced Loan (each of (i), (ii), (iii) and (iv), an "**Appraisal Event**"), 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 Mortgage Loan is greater than £5,000,000) or an internal valuation (if the outstanding principal balance of the loan is equal to or less than £5,000,000) of the related Property, unless such an appraisal or valuation had previously 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 such Loan, (ii) all unpaid interest on such 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 related Property, over (b) 90 per cent. of the appraised value of such Property as determined by such appraisal or valuation. An Appraisal Reduction will be reduced to zero as of the date that the related Loan is brought current under the then current terms of the relevant Credit Agreement for at least three consecutive months, paid in full, liquidated, repurchased or otherwise disposed of. Notwithstanding the foregoing, if an internal valuation of the Property is performed, the Appraisal Reduction will equal the greater of (a) the amount calculated in the second preceding sentence and (b) 25 per cent. of the outstanding principal balance of the Loan. The creation of an Appraisal Reduction will proportionately reduce the amount available to be drawn in respect of the relevant Loan under the Liquidity Facility Agreement.

The Liquidity Facility Agreement will be a renewable 364 day committed revolving loan facility which may be renewed until the earlier of July 2006 or such date the principal balance of both Loans 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 Provider refuses to extend the commitment period of 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 Cash Manager makes a Stand-by Drawing, the Cash Manager shall, prior to the expenditure of the proceeds of such drawing as described above, 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 "A-1+" by S&P or "P-1" by Moody's 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, 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 in point of priority ahead of payments of interest and principal on the Notes.

5. Principal Losses

If, on any Calculation Date the amount of principal determined by the Servicer to be outstanding in respect of the Loans (taking into account Borrower Principal Receipts in prior Collection Periods and Principal Amounts written off by the Servicer following a Borrower's default) is less than the Principal Amount Outstanding of the Notes on such Calculation Date, a "**Principal Loss**" shall have occurred.

On the Interest Payment Date following the occurrence of a Principal Loss, the Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by the amount of the Principal Loss 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; secondly, the Principal Amount Outstanding of the Class D Notes will be reduced until the Principal Amount Outstanding of the Class D Notes is zero; thirdly, the Principal Amount Outstanding of the Class C Notes will be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fourthly, the Principal Amount Outstanding of the Class B Notes will be reduced until the Principal Amount Outstanding of the Class B Notes is zero; fifthly, *pari passu* and *pro rata*, the Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes will be reduced until the Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes is zero.

6. The Swap Agreement

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

The Issuer will enter into the Swap Transaction, pursuant to the Swap Agreement, with the Swap Provider in order to protect itself against interest rate risk arising in respect of the Loans. The Swap Transaction to be entered into is an interest rate swap transaction (the "**Swap Transaction**") in order to protect the Issuer against interest rate risk arising in respect of the Loans.

Under the terms of the Swap Transaction, the Issuer will pay to the 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 Borrowers during the relevant Collection Period ("X") over an amount determined by reference to three-month sterling LIBOR (save, in the case of the first Interest Period, the linear interpolation of two- and three-month sterling deposits) ("Y") and the Swap Provider will pay to the Issuer an amount equal to the excess (if any) of Y over X.

The 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 Swap Provider and the Swap Guarantor are obliged only to make payments under the 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 Swap Transaction will constitute a default thereunder and entitle the Swap Provider to terminate the Swap Transaction.

The Swap Provider will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the 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 Swap Provider, to use all reasonable endeavours to reach agreement to mitigate the incidence of tax on the Issuer. The Issuer is similarly obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts or use reasonable endeavours to reach agreement to mitigate the incidence of tax on the Swap Provider. Such additional amounts will be payable in priority to amounts payable on the Notes.

The 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 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 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 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 Swap Agreement and the Swap Transaction may be terminated. If the Swap Agreement is terminated and the Issuer is unable to find a replacement swap provider, the Issuer may redeem all of the Notes in full. Such redemption shall 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(*e*)". The Swap Agreement will contain certain other limited termination events and events of default which will entitle either party to terminate it.

The Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under the Swap Agreement (including the Swap Transaction to any third party provided the Rating Agencies have provided written confirmation that such third party's (or its guarantor's) long-term unsecured, unsubordinated debt obligations are such that the then applicable ratings of the Notes will not be downgraded, withdrawn or qualified 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 Swap Provider.

7. Swap Guarantor Downgrade Event

If the rating of the short-term unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A-1"or "P-1" by S&P or Moody's, respectively, at any time, then the Swap Provider shall comply with the requirements set out in the Swap Agreement which may require the execution of the Swap Agreement Credit Support Document, if it has not already been executed, and the delivery to the Security Trustee of collateral (which collateral may be in the form of cash or securities) in respect of its obligations under the Swap Transaction in an amount or value determined in accordance with the most recent applicable swap collateral guidelines published by the Rating Agencies.

8. Swap Agreement Credit Support Document to be entered into upon Swap Guarantor Downgrade

If at any time the Swap Provider is required to provide collateral in respect of any of its obligations under the Swap Agreement, the Issuer and the Swap Provider will enter into a collateral agreement in the form of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) or in such other form acceptable to the Issuer (the "**Swap Agreement Credit Support Document**"). The Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Document, the Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document. References in this Offering Circular to the Swap Agreement Credit Support Document shall be deemed to be a reference to such agreement as and when entered into between the Issuer and the Swap Provider.

Collateral amounts that may be required to be posted by the Swap Provider pursuant to the Swap Agreement Credit Support Document may be delivered in the form of cash or securities. Cash amounts will be paid into the Swap Collateral Cash Account and securities will be transferred to the Issuer's Swap Collateral Custody Account. References in this Offering Circular to the Swap Collateral Cash Account and to the Swap Collateral Custody Account and to payments from such accounts shall be deemed to be a reference to and to payments from such accounts as and when opened by the Issuer.

If the Swap Collateral Cash Account and the Swap Collateral Custody Account are opened, amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account, or equivalent to distributions received on securities held in the Swap Collateral Custody Account, are required to be paid to the Swap Provider in accordance with the terms of the 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 Swap Agreement Credit Support Document in the form of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) is to return "equivalent securities".

9. Swap Guarantee

The Swap Provider's obligations under the Swap Transaction are guaranteed pursuant to, and subject to the terms of, the Swap Guarantee provided by the Swap Guarantor. In the event that MSCS ceases (other than by virtue of its own default) to be the Swap Provider or it is replaced by a suitably rated third party, MSDW shall cease to be the Swap Guarantor.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted as the actual rate at which Loans 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) no Loans are sold by the Issuer;

(b) no Loans Default, prepay or are enforced and no loss arises; and

(c) the Swap Agreement will not be terminated,

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 A1 Notes	Class A2 Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes
			(per cent.)			
Closing Date	100	100	100	100	100	100
30th October 2001	100	100	100	100	100	100
30th January 2002	100	100	100	100	100	100
30th April 2002	100	100	100	100	100	100
30th July 2002	0	100	74	74	74	74
30th October 2002	0	100	74	74	74	74
30th January 2003	0	100	74	74	74	74
30th April 2003	0	100	74	74	74	74
30th July 2003	0	100	74	74	74	74
30th October 2003	0	100	74	74	74	74
30th January 2004	0	100	74	74	74	74
30th April 2004	0	100	74	74	74	74
30th July 2004	0	0	0	0	0	0
Average Life	1.0	3.0	2.4	2.4	2.4	2.4
First Principal Payment Date	30 July 2002	30 July 2002	30 July 2002	30 July 2002	30 July 2002	30 July 2002
Last Principal Payment Date	30 July 2002	30 July 2004	30 July 2004	30 July 2004	30 July 2004	30 July 2004

Assumptions (a), (b) and (c) above 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 the estimates above will prove in any way to be realistic 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 12 30-day months).

DESCRIPTION OF THE NOTES AND THE DEPOSITORY AGREEMENT

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 The Chase Manhattan Bank, New York 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 certificateless depository interest in respect of the other Rule 144A Global Note for each class of Notes in the name of The Chase Manhattan Bank, London, 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**") shall 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 Depository or a nominee of the Common Depositary as owner of the certificated depository interests and the certificateless depositary 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 (the "**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 shall be 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 will be recorded in original denominations of £50,000 and integral multiples of £100 in excess thereof. Ownership of Book-Entry Interests in respect of Global Notes will be limited to persons that have accounts with Euroclear, Clearstream, Luxembourg or DTC ("**Participants**") or persons that hold interests in the Book-Entry Interests through participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect participants shall also include persons that hold beneficial interests through such indirect participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the participants' accounts with the respective Book-Entry Interests beneficially owned by such participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by 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 Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their 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 Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its interest in the relevant Book-Entry Interests to exercise any rights and obligations of a holder of Notes 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 Depository 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. 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 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 shall, 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.

Clearstream, Luxembourg and Euroclear 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. Clearstream, Luxembourg and Euroclear provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg and Euroclear also deal with domestic securities markets in several countries through established depositary and custodial relationships. Clearstream, Luxembourg and Euroclear have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Clearstream, Luxembourg and Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg and Euroclear 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, Euroclear, Clearstream, Luxembourg or DTC, as the case may be, would authorise the participants owning the relevant Book-Entry Interests to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

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 Euroclear, Clearstream, Luxembourg or DTC, as the case may be, on a *pro rata* basis (or on such other basis as Euroclear, Clearstream, Luxembourg or DTC 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 integral multiples of such original principal amount shall 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 Euroclear, Clearstream, Luxembourg or DTC, 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 shall instruct 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 Euroclear, Clearstream, Luxembourg or DTC 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 Euroclear, Clearstream, Luxembourg and DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear, Clearstream, Luxembourg and DTC will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear, Clearstream, Luxembourg and DTC, as applicable, the Depository shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear, Clearstream, Luxembourg or DTC are expected to follow the procedures described under "General" above with respect to soliciting instructions from their respective participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book Entry Interests or the Global Notes.

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to Euroclear, Clearstream, Luxembourg and DTC 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 shall 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 whilst 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 shall be 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 such Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuer; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act or the 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 shall 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 £140,000,000 Class A1 Commercial Mortgage Backed Floating Rate Notes due 2006 (the "**Class A1 Notes**"), the £104,400,000 Class A2 Commercial Mortgage Backed Floating Rate Notes due 2006 (the "**Class A2 Notes**" and, together with the Class A1 Notes, the "**Class A Notes**") the £22,200,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2006 (the "**Class B Notes**"), the £33,300,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2006 (the "**Class C Notes**"), the £31,600,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2006 (the "**Class D Notes**") and the £10,350,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2006 (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 Bromios (European Loan Conduit No. 7) plc (the "**Issuer**") are constituted by a trust deed dated on or about 16th August, 2001 (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 J.P. Morgan Trustee and Depositary Company Limited (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 A1 Notes, the Class A2 Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or 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 16th August, 2001 (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 16th August, 2001 (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 and AIB International Financial Services Limited, 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 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 Master Definitions Agreement (each as defined below). Copies of the Trust Deed, the Agency Agreement and the Deed of Charge and Assignment are available for inspection by the Noteholders at the principal office for the time being of the Trustee, being at the date hereof at 9 Thomas More Street, London E1W 1YT 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 16th August, 2001 between the Issuer, the Trustee and The Chase Manhattan Bank, New York Office, 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 16th August, 2001 between the Issuer, AIB International Financial Services Limited, 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 master definitions agreement dated on or about 16th August, 2001 made between, *inter alios*, the Issuer and the Trustee (the "**Master Definitions Agreement**", which expression includes such master 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 14th August, 2001.

1. Global Notes

(a) Rule 144A Global Notes

The Class A1 Notes, the Class A2 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 (the "**Class A1 Rule 144A Global Notes**", the "**Class A2 Rule 144A Global Notes**", the "**Class B Rule 144A Global Notes**", the "**Class C Rule 144A Global Notes**", the "**Class D Rule 144A Global Notes**" and the "**Class E Rule 144A Global Notes**" respectively, and together 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 certificateless depository interest in respect of the other Rule 144A Global Note of each class of Notes in the name of The Chase Manhattan Bank, London ("**Common Depositary**") for the account of Euroclear Bank S.A./N.A. (as operator of the Euroclear System) ("**Euroclear**") which term shall include any successor operator of the Euroclear System) and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

(b) Reg S Global Notes

The Class A1 Notes, the Class A2 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 (the "**Class A1 Reg S Global Note**", the "**Class A2 Reg S Global Note**", the "**Class B Reg S Global Note**", the "**Class C Reg S Global Note**", the "**Class D Reg S Global Note**" and the "**Class E Reg S Global Note** respectively, and together 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 shall 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 Regulation 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(*f*)) 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, Clearstream, Luxembourg or Euroclear or the Common Depositary for their account, either Clearstream, Luxembourg or Euroclear 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 shall 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 shall 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 shall 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 shall pass upon registration in the register which the Issuer shall procure to be kept by the Registrar. A Definitive Note will have an original principal amount of £50,000 or any integral multiple of £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 specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance 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 specified office of the Registrar of such Definitive Note (duly endorsed) for transfer, be available for delivery at the specified 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 shall be construed accordingly.

(d) References to "**Notes**" shall 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 Master Definitions Agreement) being enforced, the Class A1 Notes and the Class A2 Notes will rank *pari passu*, the Class A Notes will rank 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 in priority to the Class C Notes, the Class D Notes and the Class E Notes, the Class C Notes will rank in priority to the Class D Notes and the Class E Notes and the Class D Notes will rank 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 and 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 and payments of principal of the Class A2 Notes will, in the circumstances set out in Condition 6(*b*) only, be subordinated to payments of principal on the Class A1 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 the 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*), shall 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. The Trust Deed will, however, contain provisions limiting the powers of the holders of the Class A1 Notes (the "**Class A1 Noteholders**") to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution if, in the opinion of the Trustee, such action or the effect of such Extraordinary Resolution may be materially prejudicial to the interests of the holders of the Class A2 Notes (the "**Class A2 Noteholders**"), unless the Class A2 Noteholders have passed an Extraordinary Resolution consenting to such action or the passing of such Extraordinary Resolution by the Class A1 Noteholders. Conversely, the Trust Deed will also contain provisions limiting the powers of the Class A2 Noteholders to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution if, in the opinion of the Trustee, such action or the effect of such Extraordinary Resolution may be materially prejudicial to the interests of the Class A1 Noteholders, unless the Class A1 Noteholders have passed an Extraordinary Resolution consenting to such action or the passing of such Extraordinary Resolution by the Class A2 Noteholders. 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 Master Definitions Agreement) and Available Principal (as defined in the Master Definition 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 shall be binding on the Noteholders, reached after considering at any time and from time to time the advice upon which the Trustee shall 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 considers, in its discretion, that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, (iv) 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 shall 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, 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 (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 July 2006 (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 in priority to or *pari passu* with the Notes or the relevant class of Notes, and the Issuer Security has not become enforceable as at the Final Interest Payment Date or such date of earlier redemption, 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

Unless otherwise provided in or envisaged by these Conditions or the Relevant Documents (as defined in the Master Definitions Agreement), the Issuer shall not, so long as any Note remains outstanding:

(a) Negative Pledge

create or permit to subsist any mortgage, sub-mortgage, assignment, standard security, 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, further Notes or New Notes, the Swap Transaction (as defined in the Master Definitions Agreement) or the Liquidity Facility Agreement (as defined in the Master 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 Master 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, further Notes or New 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.

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 the Rating Agencies (as defined in Condition 15) provide written confirmation to the Trustee that the then applicable ratings of the Notes will not be downgraded, withdrawn or qualified 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 and a servicer in respect of the monies from time to time standing to the credit of the Transaction Account (as defined in the Master Definition Agreement) and any other account of the Issuer from time to time. Neither the Cash Manager nor the Servicer (each as defined in the Master 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 Cash Management Agreement or the Servicing 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 holders of the most junior class of Notes outstanding at any time (such class of Noteholders being, for these purposes, the "**Controlling Party**") may appoint a Special Servicer (as defined in the Master Definitions Agreement) in respect of one or both Loans (as defined in the Master Definitions Agreement). Upon any reduction to zero of the aggregate 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 shall become the Controlling Party and shall 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.

5. Interest

(a) Period of Accrual

Each Note shall bear interest on its Principal Amount Outstanding from (and including) 16th August, 2001. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall 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 30th day of January, April, July and October in each year (or, if such day is not a Business Day, the next following 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 October, 2001.

In these Conditions, "**Interest Period**" shall mean 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 October 2001) and "**Business Day**" shall in these Conditions (other than Condition 7) mean 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 and New York.

(c) Rate of Interest

Subject, in the case of the Class D Notes and 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**" shall mean 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 (save, in the case of the first Interest Period, the linear interpolation of two and three month sterling deposits) 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 (save, in the case of the first Interest Period, the linear interpolation of two and three month sterling deposits) in an amount of £10,000,000 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 shall 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 shall 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 shall 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 shall 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 A1 Notes, 0.30 per cent. per annum;

(B) in respect of the Class A2 Notes, 0.40 per cent. per annum;

(C) in respect of the Class B Notes, 0.55 per cent. per annum;

(D) in respect of the Class C Notes, 0.90 per cent. per annum;

(E) in respect of the Class D Notes, 1.75 per cent. per annum; and

(F) in respect of the Class E Notes, 3.50 per cent. per annum;

There will 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*) and Condition 5(*i*), in respect of such Interest Period in respect of the Notes of each class. 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 and rounding the resultant figure downward to the nearest penny.

(e) Publication of Rates of Interest for the Notes, Interest Amounts and other Notices

As soon as practicable after receiving notification thereof, the Issuer will 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 will 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 or in the circumstances referred to in Condition 5(*i*).

(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 shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances, and/or (as the case may be), (ii) calculate the Interest Amount 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 shall, at all times, be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of four major banks in the London interbank market (the "**Reference Banks**") 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 D Notes and the Class E Notes*

The interest due and payable on the Class D Notes and 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 Master 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 Master 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 D Notes or 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.

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 July 2006.

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 Prepayment Redemption Funds, Available Final Redemption Funds and Available Principal Recovery Funds

Except as provided in Conditions 6*(c)*, 6*(d)* and 6*(e)*, and prior to the service of a Note Enforcement Notice, if any Notes are outstanding, such Notes 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 Prepayment Redemption Funds, Available Final Redemption Funds or Available Principal Recovery Funds (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 Prepayment Redemption Funds, Available Final Redemption Funds and Available Principal Recovery Funds, after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, is greater 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 July 2006 when it means the actual Interest Payment Date in July 2006.

For the purposes of these Conditions:

(A) "**Prepayment Redemption Funds**" means (i) the aggregate amount of principal payments received by or on behalf of the Issuer in respect of the Loans as a result of any prepayment in part or in full made by the Borrowers pursuant to the terms of the relevant Credit Agreements, 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 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 a Loan by the Servicer pursuant to the Servicing Agreement, and (iv) all insurance proceeds relating to principal received by or on behalf of the Issuer other than those required to be paid to the relevant Borrower or used to reinstate the relevant Property (each as defined in the Master Definitions Agreement), *provided, however*, that Prepayment Redemption

Funds shall not include any Exit Fees; 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 or to be paid to the Liquidity Facility Provider under clause 6.1(a), 6.2, 6.3 or 6.4 of the Liquidity Facility Agreement;

(B) "**Final Redemption Funds**" means the aggregate amount of principal payments received by or on behalf of the Issuer in respect of the Loans as a result of the repayment of the relevant 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 or to be paid to the Liquidity Facility Provider under clause 6.1(a), 6.2, 6.3 or 6.4 of the Liquidity Facility Agreement; and

(C) "**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 a Loan and/or the Related Security (as defined in the Master 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 or to be paid to the Liquidity Facility Provider under clause 6.1(a), 6.2, 6.3 or 6.4 of the Liquidity Facility Agreement 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;

but, in each case, only to the extent that such moneys have not been taken into account in the calculation of Available Prepayment Redemption Funds, Available Final Redemption Funds or Available Principal Recovery Funds, as applicable, on any preceding Calculation Date.

The "**Sequential Percentage**" is equal to 65 per cent. of any Available Prepayment Redemption Funds and Available Final Redemption Funds received from the Mayfair Place Loan (as defined in the Master Definitions Agreement), and 100 per cent. of any Available Prepayment Redemption Funds and Available Final Redemption Funds received from the Portfolio Loan (as defined in the Master Definitions Agreement) (but in any case excluding a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full).

The "**Pro Rata Percentage**" is equal to 35 per cent. of any Available Prepayment Redemption Funds and Available Final Redemption Funds received from the Mayfair Place Loan.

The sum of (1) the Sequential Percentage of any Available Prepayment Redemption Funds and Available Final Redemption Funds and (2) any Available Principal Recovery Funds, as calculated on each Calculation Date, is collectively referred to as the "**Sequential Available Principal**" for the purposes of the Interest Payment Date immediately following such Calculation Date.

The sum of (1) the Pro Rata Percentage of any Available Prepayment Redemption Funds and Available Final Redemption Funds and (2) if received by the Issuer, a one-time principal repayment obligation of the Portfolio Loan of £5,000,000 which arises when the Mayfair Place Loan is prepaid or repaid in full, as calculated on each Calculation Date, is collectively referred to as the "**Pro Rata Available Principal**" (and together with the Sequential Available Principal, the "**Available Principal**") for the purposes of the Interest Payment Date immediately following such Calculation Date.

I. Application of Sequential Available Principal

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 principal on the Class A1 Notes until all of the Class A1 Notes have been redeemed in full;

(ii) secondly, in repaying principal on the Class A2 Notes until all of the Class A2 Notes have been redeemed in full;

(iii) thirdly, in repaying principal on the Class B Notes 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.

II. Application of Pro Rata Available Principal

Pro Rata 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, *pari passu* and *pro rata*, in repaying 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 (or in the case of the Class A Notes, in proportion to the sum of the Principal Amount Outstanding of the Class A1 and Class A2 Notes), until each such Note has been redeemed in full, *provided, however*, that any payments to the Class A Notes shall be applied in the following order of priority:

(i) first, in repaying principal on the Class A1 Notes until all of the Class A1 Notes have been redeemed in full, and

(ii) second, in repaying principal on the Class A2 Notes until all of the Class A2 Notes have been redeemed in full;

Any excess Available Principal remaining after the application of the Sequential Available Principal and the Pro Rata Available Principal shall be applied, first, in paying that component of the Deferred Consideration that comprises excess Available Principal and 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 A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not be downgraded, withdrawn or qualified thereby, the Available Prepayment Redemption Funds, Available Final Redemption Funds and Available Principal Recovery 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.

(c) Optional 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 Borrowers in relation to the Loans 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 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, 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 may, but shall not 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) on a *pari passu* and *pro rata* basis, all Class A1 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A1 Notes plus interest accrued and unpaid thereon and all Class A2 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A2 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) Optional redemption in full

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 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 prior to, or *pari passu* with, the Notes, which certificate shall be conclusive and binding, and further provided that the then aggregate Principal Amount Outstanding of all of the Notes would be less than 10 per cent. of their Principal Amount Outstanding as at the Closing Date, the Issuer may redeem on such Interest Payment Date:

(A) on a *pari passu* and *pro rata* basis, all Class A1 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A1 Notes plus interest accrued and unpaid thereon and all Class A2 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A2 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 such Note other than by way of redemption pursuant to this Condition 6*(d)*. Once redeemed to the full extent provided in this Condition 6*(d)*, the Notes shall cease to bear interest.

(e) Optional Redemption in Full — Swap Transaction

If, at any time, the Swap Transaction is terminated by reason of the occurrence of a Tax Event (as defined below) under the Swap Agreement (as defined in the Master Definitions Agreement) and the Issuer 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 Event 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 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(*e*) and any amounts required under the Deed of Charge and Assignment to be paid on such Interest Payment Date which rank prior to, or *pari passu* with, the Notes, which certificate shall be conclusive and binding, the Issuer may, but shall not be obliged to, redeem on such Interest Payment Date:

(A) on a *pari passu* and *pro rata* basis, all Class A1 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A1 Notes plus interest accrued and unpaid thereon and all Class A2 Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A2 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(*e*). Once redeemed to the full extent provided in this sub-paragraph, the Notes shall cease to bear interest.

For these purposes, a "**Tax Event**" shall mean:

(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 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 Swap Provider (as defined in the Master 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 Swap Agreement or the 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.

(f) 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*) or Condition 6(*e*), as applicable, shall, 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)* or Condition 6*(e)*, 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) 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 on any date shall be the nominal amount thereof on the date of issuance thereof less (a) 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 (b) 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, the Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by the amount of the Principal Loss as follows: first, the Principal Amount Outstanding of the Class E Notes will be reduced until the Principal Amounts 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; thirdly, the Principal Amount Outstanding of the Class C Notes will be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fourthly, the Principal Amount Outstanding of the Class B Notes will be reduced until the Principal Amount Outstanding of the Class B Notes is zero; fifthly, on a *pari passu* and *pro rata* basis, the Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes will be reduced until the Principal Amount Outstanding of the Class A1 Notes and the Class A2 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.

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 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 or the Pool Factor in accordance with the preceding provisions of this Condition (6)*(f)*), such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Trustee, in accordance with this Condition 6*(f)*, and each such determination or calculation shall be conclusive and shall be deemed to have been made by the Issuer or the Cash Manager, as the case may be.

(g) Notice of Redemption

Any such notice as is referred to in Condition 6*(c)*, *(d)*, *(e)* and *(f)* 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.

(h) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions will 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 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 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 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.

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 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 specified 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. 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 AIB International Financial Services Limited at its offices at PO Box 2751, AIB International Centre, I.F.S.C., Dublin 1, Ireland. 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 specified office in, for so long as the Notes are listed on the Irish Stock Exchange, Dublin. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices 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 shall 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 shall be due in respect of such Note. No further payments of additional amounts by way of interest, principal or otherwise shall 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**" shall mean, 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 shall be translated into, and/or any amount becoming payable under the Notes thereafter as specified in these Conditions shall 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 shall 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 shall 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) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will 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 shall 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 shall 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 shall 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 moneys 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 moneys 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 shall occur (each such event being an "**Event of Default**") the Trustee at its absolute discretion 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 shall be 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 shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer shall take possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process shall be 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 Declaration by Trustee

Upon any declaration being made by the Trustee in accordance with Condition 10*(a)* above, all classes of 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, at its discretion and without notice, take such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Notes and the Relevant Documents and may, at any time after the Issuer Security has become enforceable, at its discretion and without notice, take such steps as it may think fit to enforce the Issuer Security, but it shall 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 a reasonable period 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), 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) shall 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. The Trustee may convene a single meeting of Class A Noteholders or if, in its absolute discretion, it considers that there is a conflict, in respect of the subject matter of such meetings, between the interests of the Class A1 Noteholders, on the one hand, and the Class A2 Noteholders, on the other hand, separate meetings for the Class A1 Noteholders and the Class A2 Noteholders.

(*b*) An Extraordinary Resolution passed at any meeting of the Class A1 Noteholders 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 A2 Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of the Class A2 Noteholders.

An Extraordinary Resolution passed at any meeting of Class A2 Noteholders 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 A1 Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of the Class A1 Noteholders.

An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall 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 shall not take effect unless it shall have 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 shall 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. In these Conditions references to Extraordinary Resolutions of the Class A Noteholders mean, where separate meetings of the Class A1 Noteholders and Class A2 Noteholders are held, Extraordinary Resolutions of the Class A1 Noteholders and Extraordinary Resolutions of the Class A2 Noteholders.

(*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 shall 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 shall not take effect unless it shall have been sanctioned by an Extraordinary

Resolution of each of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or it shall 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*)) 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 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 shall 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 shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders and the Class E Noteholders or it shall 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 shall 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 shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class E Noteholders or it shall 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 shall 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 shall 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) shall 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 shall not, or shall not, subject to specified conditions, be treated as such, provided always that the Trustee shall 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 shall 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 downgraded, withdrawn or qualified 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 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 Servicer, the Special Servicer, the Cash Manager, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor or any other person of their obligations under the Relevant Documents and the Trustee shall 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 shall approve 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 Depositary.

(*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 Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and Moody's Investors Services Inc. ("**Moody's**" and, together with S&P, 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) (the "**Class B Interest Residual Amount**"); items (a) to (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class C Notes) (the "**Class C Interest Residual Amount**"); respectively, (each 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 or the Class C 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, 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 or Class C Notes, as the case may be, by the aggregate principal amount of the Class B Notes or Class C 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 or Class C 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 or the Class C 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 or the Class C 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 (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class B Notes); and items (a) to (o) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class C 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*

Except as provided in Condition 6*(b)* and subject to Condition 10 and Condition 11, whilst any Class A1 Notes are outstanding, the Class A2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders will not be entitled to any payment of principal in respect of the Class A2 Notes (other than after enforcement of the Issuer Security), the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, respectively. Except as provided in Condition 6(*b*), whilst any Class A2 Notes are outstanding, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders will not be entitled to any payment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, respectively. Except as provided in Condition 6*(b)*, whilst any Class B Notes are outstanding, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders will not be entitled to any payment of principal in respect of the Class C Notes, the Class D Notes or the Class E Notes, respectively. Except as provided in Condition 6*(b)*, whilst any Class C Notes are outstanding, the Class D Noteholders and the Class E Noteholders, will not be entitled to any payment of principal in respect of the Class D Notes or the Class E Notes, respectively. Except as provided in Condition 6*(b)*, whilst any Class D Notes are outstanding, the Class E Noteholders will not be entitled to any payment 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 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 in priority to or *pari passu* with the Notes, or the Notes of such class, and the Issuer Security has not become enforceable as at such Final Interest Payment 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 or the Class C 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 or the Class C Noteholders, as the case may be, in accordance with Condition 15 and, for so long as the Class B Notes and the Class C Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange.

17. Privity of Contract

This Note does not confer any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, 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. Further Issues and New Issues

(a) Further Issues

The Issuer shall be at liberty, without the consent of Noteholders, but subject always to the provisions of these Conditions and the Trust Deed, and provided that the Trustee shall not have given a Note Enforcement Notice, to raise further funds, from time to time, on any date, by the creation and issue of further Class A1 Notes (the "**further Class A1 Notes**") carrying the same terms and conditions in all respects (except in relation to the first Interest Period, the first Interest Payment Date and the first Interest Amount) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class A1 Notes and/or the creation and issue of further Class A2 Notes (the "**further Class A2 Notes**" and, together with the further Class A1 Notes, the "**further Class A Notes**") carrying the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class A2 Notes and/or the creation and issue of further Class B Notes (the "**further Class B Notes**") carrying the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class B Notes and/or the creation and issue of further Class C Notes (the "**further Class C Notes**"), carrying the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class C Notes and/or the creation and issue of further Class D Notes (the "**further Class D Notes**"), carrying the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class D Notes and/or the creation and issue of further Class E Notes (the "**further Class E Notes**" and, together with the further Class A Notes, the further Class B Notes, the further Class C Notes and the further Class D Notes, the "**further Notes**"), carrying the same terms and conditions in all respects (except in relation to the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with the Class E Notes, provided that (i) the aggregate principal amount of all further Notes to be issued on such date is not less than £1,000,000, (ii) the then current ratings of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are not adversely affected by such issue, (iii) the further Notes are assigned the same ratings as are then applicable to the relevant class of Notes, (iv) the net proceeds of any such issue are applied by the Issuer towards payment to MSDW Bank in respect of the purchase of further secured loans or advances and (v) the further Notes are listed on the Irish Stock Exchange. Except in relation to the first Interest Period, the first Interest Payment Date and the first Interest Amount, all references in these Conditions to the "Class A1 Notes", "Class A2 Notes", "Class A Notes", "Class B Notes", "Class C Notes", "Class D Notes" and "Class E Notes" shall include any further Class A1 Notes, further Class A2 Notes, further Class A Notes, further Class B Notes, further Class C Notes, further Class D Notes and further Class E Notes respectively in issue from time to time; and all references in these Conditions to the "Notes" shall include any further Notes in issue from time to time.

(b) New Issues

The Issuer shall be at liberty, without the consent of the Noteholders (but subject always to the provisions of the Trust Deed), to raise further funds from time to time and on any date by the creation and issue of new notes (the "**New Notes**") carrying terms which differ from the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and which do not form a single series with the Class A Notes or the Class B Notes or the Class C Notes or the Class D Notes or the Class E Notes; provided that the conditions to the issue of further Notes as set out in Condition 18(*a*), (ii) and (iv) are met in respect of the issue of such New Notes.

(c) Supplemental Trust Deeds and Security

Any further Notes or New Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of security pursuant to a further deed or deeds supplemental to the Deed of Charge and Assignment.

19. 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 is governed by and shall be construed in accordance with the laws of the State of New York.

20. 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 £341,850,000 and this sum will be applied by the Issuer towards payment to MSDW Bank of the purchase consideration in respect of the Loans and interest accrued thereon, and MSDW Bank's beneficial interests in the Security Trusts comprising the Related Security to be purchased on the Closing Date pursuant to the Loan Sale Agreement. See "The Loans 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.

UNITED KINGDOM TAXATION

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.), 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 in circumstances where the exemption for payments between certain companies contained in section 349A of the Income and Corporation Taxes Act 1988 applies.

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. 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 UK 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

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, 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, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they 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 special 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.

For purposes of this summary, a "United States holder" means a beneficial owner of a Note who or which 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) 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, a more senior class of Notes), there is a significant possibility that the IRS could contend that they should be treated as equity. See "Possible Alternative Characterisation of the Notes" below. 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.

Interest Income of United States Holders

In General

Assuming the Notes are not 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.

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 was calculated on the basis of the scheduled amortisation payments (see "The Loan Pool") 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 Department 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 D Notes and Class E Notes is limited to specified amounts, 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.

A United States holder of any class of Notes deemed to bear OID generally would be required to accrue OID on the Note for United States federal income tax purposes for each day on which the United States holder holds such instrument. Special rules applicable to debt instruments such as the Notes as to which the repayment of principal may be accelerated as a result of the prepayment of other obligations securing the debt instruments provide that the periodic inclusion of OID is determined by taking into account the prepayment assumption used in pricing the debt instrument and actual prepayment experience. Under these rules, the OID accruing in any period will likely equal the amount by which (a) the sum of (i) the present value of all remaining distributions to be made on the Note as of the end of such period plus (ii) the distributions made during such period included in the Note's stated redemption price at maturity, exceeds (b) the "adjusted issue price" of the Note as of the beginning of the period. The present value of the remaining distributions to be made on a Note is calculated based on (x) the original yield to maturity of such instrument, (y) events (including actual prepayments) that have occurred prior to the end of the period and (z) the Prepayment Assumption. The "adjusted issue price" of a Note at the beginning of any accrual period generally would be the sum of its issue price and the amount of OID allocable to all prior accrual periods, less the amount of any payments (other than payments of qualified stated interest) made in all prior accrual periods. The OID accruing in any period generally will increase if prepayments on the Loans exceeds the Prepayment Assumption and decrease if prepayments are slower than the Prepayment Assumption.

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 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 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. 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 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 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). 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 (and increased in the case of a Note deemed to bear OID by any accrued OID).

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. The distinction between capital gain or loss and ordinary income or loss is relevant for purposes of, among other things, limitations on the deductibility of capital losses.

Foreign Currency Considerations

A United States holder's tax basis in a 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 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 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 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 Note, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or such Note is disposed of, and (ii) the United States dollar value of the applicable sterling principal amount of such Note, on the date such holder acquired such Note, and the United States dollar amounts previously included in income in respect of the accrued interest received. 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 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 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 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 becoming wholly or partially worthless as a result of one or more realised losses on the Loans 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 and any OID with respect to a Note based on the assumption that no defaults or delinquencies will occur with respect to the Loans. 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. Moreover, in these circumstances, the present value of the tax detriment associated with the inclusion of such income early in the term of the Notes would generally exceed the present value of the subsequent tax benefit associated with such eventual loss or reduction in income, assuming no changes in prevailing tax rates.

Possible Alternative Characterisation 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 thus 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, a more senior class of Notes), there is a significant possibility that the IRS could contend that they should be treated as an equity interest in the Issuer. The following discussion sets forth the United States federal income tax treatment of the Notes if they were treated as an equity interest in the Issuer.

If the IRS successfully asserted that all or a portion of 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. "Interest" payments on the Recharacterised Note, to the extent they exceeded 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 they exceeded the United States holder's basis, would generate capital gain. "Interest" 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 a PFIC. 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 must pay 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 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 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. Moreover, a transfer by gift or a pledge of the Notes could cause a United States holder to recognise taxable income. Also, if any class of Notes were treated (in whole or in part) as equity interests in a PFIC, an individual United States holder of such class would not get a step-up in tax basis to the fair market value of such Note upon the holder's death.

In general, 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. However, 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 might, in lieu of making a QEF election, 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 could 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 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

On 5th February 1999, the Treasury Department released final 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 may 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. The regulations are effective for payments made in taxable years beginning after 5th February 1999. In the event a United States holder fails to file any such required form, the United States holder could be subject to a penalty equal to 10 per cent. of the gross amount paid for the Notes.

Non-United States Holders

Interest paid (or accrued) to a non-United States holder will not be subject to withholding of United States federal income tax.

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 (including any OID) 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. A 31 per cent. (which rate is scheduled to be reduced periodically through 2006) "backup" withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (such as such holder's taxpayer identification number) to such payor or intermediary or such holder is notified by the IRS it has failed to report all interest and dividends required to be shown on its United States federal income tax returns. 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.

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 minimize 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 realized by the Plan or profits realized 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 and Class C 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 D Notes and Class E Notes may be treated as "equity interests" for purposes of the Plan Asset Regulations. Accordingly, the Class D Notes and 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, Class D Notes and Class E 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, Class D Notes or Class E 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, Class D Notes or Class E 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, Class D Notes or Class E 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 Swap Provider, the Swap Guarantor, 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, Class D Notes or Class E Notes to a Plan is in no respect a representation by the Issuer, MSDW Bank, the Managers 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, Class D Notes and Class E 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 and Lehman Brothers International (Europe) ("**LBIE**"), Dexia Capital Markets and NIB Capital Bank N.V. (together, the "**Managers**"), pursuant to a subscription agreement dated 14th August, 2001 (the "**Subscription Agreement**"), between the Managers, the Issuer, MSMS and MSDW Bank, have severally but not jointly agreed, subject to certain conditions, to subscribe and pay for the respective Notes at 100 per cent. of the principal amount of each class of Notes in the respective principal amounts of each class of Notes set forth below.

Class	Morgan Stanley & Co. International Limited	Lehman Brothers International (Europe)	Dexia Capital Markets	NIB Capital Bank N.V.
Class A1.....	£65,000,000	£65,000,000	£5,000,000	£5,000,000
Class A2.....	£49,900,000	£49,500,000	£0	£5,000,000
Class B.....	£11,200,000	£11,000,000	£0	£0
Class C.....	£33,300,000	£0	£0	£0
Class D	£31,600,000	£0	£0	£0
Class E.....	£10,350,000	£0	£0	£0

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.

LBIE is joint lead Manager and joint book runner in respect of the issue of the Notes. The ultimate holding company of LBIE is Lehman Brothers Holdings, Inc. which is also the ultimate holding company of the Borrowers.

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 will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of the period of six months from the Closing Date 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 (as amended);

(b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 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 issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

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 or Class C 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 unless the Notes that are the subject of the transfer are not Class D Notes or Class E Notes and 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 shall 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 14th August, 2001.

2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 16th August, 2001, 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. The Class E Notes are expected to be eligible for trading in the Portal Market, the National Association of Securities Dealers' screen-based automated market for trading of securities eligible for resale under Rule 144A; however, no assurance can be given as to the liquidity of, or trading market for, the Class E Notes.

3. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC 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 A1	013389292	XS0133892926	11220VAA0	013389349	XS0133893494
Class A2	013389365	XS0133893650	11220VAB8	013389373	XS0133893734
Class B	013389403	XS0133894039	11220VAC6	013389462	XS0133894625
Class C	013389497	XS0133894971	11220VAD4	013389519	XS0133895192
Class D	013389543	XS0133895432	11220VAE2	013389551	XS0133895515
Class E	013389578	XS0133895788	11220VAF9	013389586	XS0133895861

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 specified office 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. KPMG Audit Plc, 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 the listing particulars for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).

8. DTZ Debenham Tie Leung has given and not withdrawn its written consent to the issue of this Offering Circular with the inclusion of its valuation report dated 7th August, 2001, extracts from the Initial Valuations and references to its name in the form and context in which they are included and has authorised the contents of that part of the listing particulars for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended)

9. Denton Wilde Sapte has given and not withdrawn its written consent to the issue of this Offering Circular with the inclusion of reference to its views, opinions and name in the form and context in which they are included and has authorised the content of those part of this Offering Circular for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).

10. Save as disclosed herein, since 11th July, 2001 (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.

11. 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 specified offices of the 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;

(ii) the balance sheet of the Issuer as at 14th August, 2001 and the auditors report thereon;

(iii) the Initial Valuations of the Mayfair Place Loan Property and Portfolio Loan Properties;

(iv) the valuation report relating to the Mayfair Place Loan Property dated 7th August, 2001 and included in this Offering Circular as Appendix 2.

(v) the Subscription Agreement referred to in paragraph 6 above;

(vi) 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 Swap Agreement and the Swap Guarantee;

(h) the Corporate Services Agreement;

(i) the Liquidity Facility Agreement;

(j) the Depository Agreement;

(k) the Exchange Rate Agency Agreement;

(l) the Master Definitions Agreement; and

(vii) the Memorandum and Articles of the Principal Borrower.

APPENDIX 1

THE PRINCIPAL BORROWER

The Principal Borrower, Watchover Limited, was incorporated in England and Wales on 30th March, 2001 (registered number 4191193) as a private company with limited liability under the Companies Act 1985. The registered office of the Principal Borrower is 20 Thayer Street, London W1U 2DD. The Principal Borrower has no subsidiaries other than Burford Berkeley Limited and the two subsidiaries of Burford Berkeley Limited, namely Burford Berkeley Nominee 1 Limited and Burford Berkeley Nominee 2 Limited.

Principal Activities

The Principal Borrower is a newly incorporated SPV. The purpose and business of the principal Borrower is property investment and to hold the shares in other companies which invest in property situated in the United Kingdom.

The Principal Borrower 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 Principal Borrower is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Principal Borrower's financial position.

Directors and Secretary

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

Name	Business Address	Principal Activities
Julian Gleek	20 Thayer Street London W1U 2DD	Director of Burford Holdings Limited and over 100 other companies.
Randolph John Anderson	Flat 5 Spanish Place Mansions 6 Spanish Place London W1M 5AN	Director of Burford Holdings Limited and over 100 other companies.

Capitalisation and Indebtedness

The capitalisation and indebtedness of the Principal Borrower as at the date of this Offering Circular is as follows:

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Paid Up Share Capital £
100	1	1	1	1

The one issued share of £1 is fully paid and is held by Burford Mayfair Limited.

Loan Capital

The Principal Borrower is the borrower under the Mayfair Place Loan which was drawn down on 19th June, 2001 in the amount of £160,00,000. It also has certain indebtedness to its shareholder Burford Mayfair Limited and to BHL pursuant to existing intercompany loans. These intercompany loans are fully subordinated to the Mayfair Place Loan.

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

Financial Position

Except as described above, since 30th March, 2001, there has been (i) no material adverse change in the financial position or prospects of the Principal Borrower and (ii) no significant change in the trading and financial position of the Principal Borrower.

APPENDIX 2

VALUATION REPORT RELATING TO THE PRINCIPAL BORROWER

DTZ Debenham Tie Leung
International Property Advisers

7 August 2001

Morgan Stanley Dean Witter Bank Limited
25 Cabot Square
Canary Wharf
London E14 4QA

Morgan Stanley Mortgage Servicing Limited
25 Cabot Square
Canary Wharf
London E14 4QA

Bromios (European Loan Conduit No. 7) plc
Blackwell House
Guildhall Yard
London EC2V 5AE

J.P. Morgan Trustee and Depositary Company Limited
9 Thomas More Street
London E1W 1YT

Dear Sirs

VALUATION AS AT 7 AUGUST, 2001 OF: **MAYFAIR PLACE, 50 BERKELEY STREET, MAYFAIR, LONDON W1**

In accordance with your instructions, we have undertaken a valuation of the freehold property (the "Property") detailed in the attached Schedule (the "Schedule") in order to advise you of our opinion of the open market value of the Property as at 7 August 2001 (the "Valuation Date"). It is understood that the valuation is required for inclusion in the listing particulars to be published for the issue of certain Notes on the Irish Stock Exchange. We have prepared our valuation in accordance with Chapter 18 of the Listing Rules published by the UK Listing Authority. The legal title to the freehold interest in the Property is held by Burford Berkeley Nominee 1 Limited and Burford Berkeley Nominee 2 Limited (together, the "Legal Proprietors") on trust for Burford Berkeley Limited (the "Beneficiary"), which owns the entire beneficial interest in the Property. We have valued the combined interests of the Legal Proprietors and the Beneficiary for the purposes of this valuation. The Legal Proprietors and the Beneficiary are together referred to as the "Company" for the purposes of this valuation. The Property is currently held for investment purposes and is more particularly described in the Schedule.

We confirm that the valuation has 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 ("RICS").

1. BASIS OF VALUATION

Open market value

The value of the Property has been assessed in accordance with the relevant parts of the Manual. In particular, we have assessed open market value in accordance with Practice Statement 4.2.

Under these provisions the term "open market value" means:

an opinion of the "best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:-

a) a willing seller;

b) 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;

c) 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;

d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

To summarise, open market value is the best price that can be obtained for a property in the market, assuming a sale at the valuation date. The valuation is not qualified by any reference to existing or alternative uses and implies the value of a property having regard to its' most valuable use. In determining the level of value attributable to any alternative use, however, it must be realistic having regard to all the circumstances to put that property to such alternative use, and the degree to which all necessary statutory consents are required, adequately reflected.

2. EXTERNAL VALUERS

The valuation has been undertaken by valuers, acting as External Valuers as defined in the Manual, qualified for the purposes of the valuation. The property was inspected internally on 27 February 2001 and externally on 27 July 2001. We were able to inspect all of the Property apart from the basement.

We confirm that DTZ Debenham Tie Leung Limited, of One Curzon Street, London W1A 5PZ, in its role as External Valuers to the Company, has recently prepared valuations in respect of the Property for the purpose of inclusion into the Company's financial statements and for loan security purposes. We do not consider that any conflict arises in preparing the valuation advice requested.

3. ADJUSTMENTS

We have made no adjustments to reflect any liability to taxation that may arise on a disposal, nor for any costs associated with a disposal 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 or VAT that may arise on a disposal.

We have made a deduction to reflect purchasers' normal acquisition costs. We believe the market would adopt, in respect of this, a figure of 5.75 per cent.

4. VAT

The rental and capital valuations included in this report are all net of Value Added Tax at the prevailing rate.

5. ASSUMPTIONS AND SOURCES OF INFORMATION

In undertaking our valuation, we have made a number of assumptions and have relied on certain sources of information. In the event that any of these assumptions prove to be incorrect then our valuation should be reviewed. The assumptions are referred to below:-

5.1 Title

We have not had access to the Title Deeds of the Property. We have relied on the Certificate of Title (the "Certificate of Title") for the Property prepared by Denton Wilde Sapte and dated May 2001. Unless otherwise advised and save as otherwise stated in the Certificate of Title we have for the purposes of the valuation assumed that the Company is possessed of good and marketable title and that the Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the Property is held free from mortgages, charges or other encumbrances and that there have been no material changes to the title since the date of the Certificate of Title.

5.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of the Property at the time of our inspection, but a structural survey has not been undertaken, nor have woodwork or other parts of the structure which were covered, unexposed or inaccessible, been inspected. The Property has recently undergone a substantial refurbishment and extension undertaken by Mace Limited, acting as construction managers. We have therefore assumed that the Property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not arranged for investigations to be made to determine whether High Alumina Cement concrete, calcium chloride additive or any other deleterious material have been used in construction or any alterations, and therefore we cannot confirm that the Property is free from risk in this regard. For the purposes of this valuation, 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 site is free from any defect as to foundations. We have assumed that the load bearing qualities of the site of the Property is sufficient to support the building constructed thereon.

No tests have been carried out as to electrical, 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 this valuation for any items of plant or machinery not forming part of the service installations of the Property.

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 valuation of any goodwill that may arise from the present occupation of the Property.

It is a condition of DTZ Debenham Tie Leung Limited 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 the Property.

5.3 Environmental matters

We have previously made enquiries of the Environmental Health Officer, in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of any of the Property and any adjoining sites. We have also considered a Phase One Environmental Assessment produced by GIBB Environmental dated December 2000 relating to the Property. Our enquiries provide no evidence that there is a significant risk of contamination in respect of the Property. Therefore, we have assumed that the land and building comprising the Property subject to our valuation are not affected by contamination or adverse environmental matters sufficient to affect value.

We have assumed that the information and opinions we have been given are complete and correct in respect of the Property and that further investigations would not reveal more information sufficient to affect value. We consider that this assumption is reasonable in the circumstances. However, purchasers may cause such further investigation to be made and if this was to reveal additional contamination then this might reduce the value now being reported.

5.4 Areas

The Company has provided us with the floor areas of the Property which have been calculated by the architects. As instructed, we have relied on these areas and have not checked them on site. We have assumed that the floor areas supplied to us have been calculated in accordance with the Code of Measuring Practice (Fourth Edition) prepared by the RICS.

5.5 Statutory requirements and planning

We have relied on planning information provided by the Company together with verbal and Internet enquiries of the City of Westminster Council in order to assess the current planning status for the Property and to determine the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. We have also relied on the Certificate of Title. The Certificate on Title is based on formal written enquiries of the relevant planning authority and has been prepared by solicitors who are specialists in property matters and familiar with providing opinions on matters relating to planning permission. The Certificate of Title does not reveal any matters likely to affect materially the value of the Property as reported.

It has been assumed that the Property has been constructed in full compliance with valid town planning and building regulations approval and that the Property has the benefit of a current Fire Certificate, and that the Property is not subject to any outstanding statutory notices as to the construction, use or occupation.

No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972. In accordance with normal practice, we have not taken into consideration nor are we able to comment on the implications of the Disability Discrimination Act nor any other current legislation with regard to the Property and any financial implications that may result from this legislation in the future.

5.6 Leasing

We have been provided with details relating to the terms of the occupational leases by the Company and Denton Wilde Sapte, within the Certificate of Title, but we have not had sight of the lease documents.

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. We have been advised that the tenant of the seventh floor (360 Network (UK) Limited) is in administration. We have also assumed that there are no material arrears of rent or breaches of covenants.

However, our valuation reflects the type of tenants actually in occupation, or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

We have also assumed that wherever rent reviews or lease renewals are pending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

5.7 Information

We have assumed that the information the Company and its professional advisors have supplied to us in respect of the Property 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.

6. VALUATION

Having regard to the foregoing comments and the assumptions set out herein, we are of the opinion that the open market capital value, of the freehold interest held by the Company, subject to the occupational terms, as at 7 August 2001, is as follows:-

£200,000,000
(Two Hundred Million Pounds)

Brief details of the Property is set out in the Schedule.

7. CONFIDENTIALITY AND DISCLOSURE

The contents of this Report and Schedule are confidential to the addressees 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. Before this Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited are referred to by name and whether or not the contents of our Report are combined with others.

Yours faithfully

ANDREW R. H. JONES
CHARTERED SURVEYOR
DIRECTOR
For and on behalf of
DTZ Debenham Tie Leung Limited

SCHEDULE

PROPERTY	DESCRIPTION/AGE/ TENURE	TERMS OF EXISTING LEASES	CURRENT NET RENTS RECEIVABLE	PRESENT CAPITAL VALUE
			£750,000	
Mayfair Place, 50 Berkeley Street, Mayfair, London W1	The property occupies two thirds of a prominent island site in the heart of Mayfair, between Berkeley Square and Piccadilly. Originally constructed in the early 1920's. The building has been recently fully refurbished and extended to provide high specification offices totalling 14,761 sq m (158,888 sq ft) over first to eighth floors. At ground floor and basement there is 3,837 sq m (41,305 sq ft) of retail accommodation. Freehold.	Fully let to eight occupiers for terms of at least 19 years. One lease has a mutual break option after 9 ¼ years. Three tenants occupy an entire floor each. One tenant occupies two floors, a further tenant occupies two and a half floors. Two retailers share occupation of the ground and majority of the basement. The remainder of the accommodation is utilised by the final occupier. The leases are drawn on effectively fully repairing and insuring terms with five yearly upward only rent reviews. On expiry of the rent free periods the rent receivable will be £12,331,565 of which the office element will produce 87%. The final rent free expires in March 2002.		£200,000,000

APPENDIX 3

INDEX OF PRINCIPAL DEFINED TERMS

REGISTERED AND HEAD OFFICE OF THE ISSUER

Blackwell House
Guildhall Yard
London EC2V 5AE

TRUSTEE
J.P. Morgan Trustee and Depositary Company Limited
9 Thomas More Street
London E1W 1YT

SERVICER
Morgan Stanley Mortgage Servicing Limited
25 Cabot Square
Canary Wharf
London E14 4QA

AUDITORS TO THE ISSUER
KPMG Audit Plc
1 Canada Square
Canary Wharf
38th Floor
London E14 5AG

LEGAL ADVISERS

To the Managers
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 Issuer
As to English Law:
Denton Wilde Sapte
1 Fleet Place
London EC4M 7WS

PRINCIPAL PAYING AGENT, AND AGENT BANK
AIB International Financial Services Limited
PO Box 2751
AIB International Centre
I.F.S.C.
Dublin 1

PAYING AGENT
AIB Group (UK) plc
12 Old Jewry
London
EC2R 8DP

DEPOSITORY AND REGISTRAR
The Chase Manhattan Bank
15th Floor
450 West 33rd Street
New York
New York 10001

LISTING AGENT
Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA