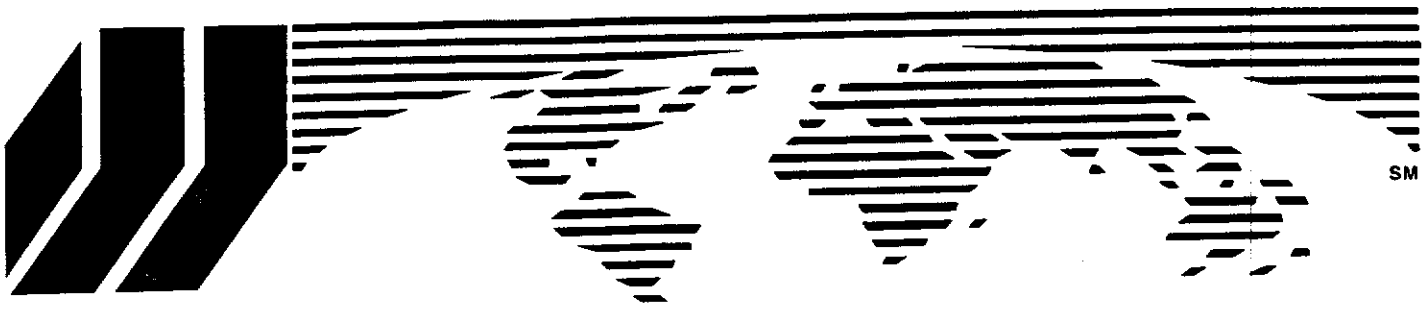

£254,581,000 Notes
of
European Loan Conduit No. 3 plc

(incorporated with limited liability in England and Wales)

£197,300,000
Class A Commercial Mortgage Backed Floating Rate Notes due 2009

£17,821,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2009

£15,275,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2009

£15,911,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2009

£8,274,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2009

MORGAN STANLEY DEAN WITTER

OFFERING CIRCULAR

£254,581,000
European Loan Conduit No. 3 plc
(incorporated with limited liability in England and Wales)
Commercial Mortgage Backed Floating Rate Notes due 2009

Application has been made to the UK Listing Authority (the "UK Listing Authority") for the £197,300,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2009 (the "Class A Notes"), the £17,821,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2009 (the "Class B Notes"), the £15,275,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2009 (the "Class C Notes"), the £15,911,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2009 (the "Class D Notes") and the £8,274,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2009 (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 European Loan Conduit No. 3 plc (the "Issuer") to be admitted to the Official List. Application has also been made to the London Stock Exchange plc (the "London Stock Exchange") for each class of Notes to be admitted to trading on the London Stock Exchange. Copies of this Offering Circular, which comprise approved listing particulars with regard to the Issuer and the issue of the Notes in accordance with the listing rules made under Part IV of the Financial Services Act 1986 (the "FSA") have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of the FSA.

Interest on the Notes will be payable quarterly in arrear in pounds sterling on the 25th day of January, April, July and October in each year, subject to adjustment for non-business days as described herein (each an "Interest Payment Date"). The first Interest Payment Date will be 25th October, 2000. The interest rate applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate ("LIBOR") for three-month sterling deposits (or, in the case of the first Interest Period, the linear interpolation of three and four-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 ratings of AAA, AA, A, BBB and BB respectively by Standard & Poor's Ratings Services - a division of The McGraw Hill Companies, Inc. ("S&P"). 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.

Class	Initial Principal Amount	Margin over LIBOR	Maturity Date	Issue Price[1]
A	£197,300,000	0.40 per cent	27th July, 2009	100%
B	£17,821,000	0.55 per cent	27th July, 2009	100%
C	£15,275,000	1.15 per cent	27th July, 2009	100%
D	£15,911,000	1.40 per cent	27th July, 2009	95.5235%
E	£8,274,000	1.40 per cent	27th July, 2009	81.6242%

[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 Corporate Services Provider, 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 Corporate Services Provider, 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 (as defined herein). 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 2009 (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 12th July, 2000 (the "**Closing Date**") against payments therefor in immediately available funds.*

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

MORGAN STANLEY DEAN WITTER

RBC DOMINION SECURITIES **ARTESIA BC**

The date of this Offering Circular is 11th July, 2000

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 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 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 (which has taken all reasonable care to ensure that such is the case) 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 Borrowers and the Dutch Borrowers (as defined below) has been accurately reproduced from information published by such Principal Borrowers and Dutch Borrowers. So far as the Issuer is aware and/or is able to ascertain from information published by such Principal Borrowers and Dutch Borrowers, 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 Trustee, the Corporate Services Provider, the Liquidity Facility Provider, the

Swap Provider, the Swap Guarantor, the Operating Bank, the Paying Agents, the Agent Bank, the Registrar, the Servicer, the Special Servicer, the Cash Manager or the Managers. 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 of this Offering Circular as listing particulars in accordance with the listing rules made under Part IV of the FSA and the delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of the FSA, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. Neither this Offering Circular nor any part hereof constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Notes and neither this Offering Circular, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular (or any part hereof) see "Notice to U.S. Investors", "Subscription and Sale" and "Transfer Restrictions" below.

NOTICE TO U.S. INVESTORS

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

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

AVAILABLE INFORMATION

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

ENFORCEABILITY OF JUDGMENTS

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE 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* "**$**" *are to the lawful currency for the time being of the United States of America and references to* "**euro**" *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 amended by the Treaty of Amsterdam.*

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.

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SUMMARY

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

Transaction Overview

On the Closing Date the Issuer will issue the Notes and with the proceeds will acquire from MSDW Bank a portfolio of loans together with its beneficial interest in the Security Trusts created over the security granted in respect of those loans (together, the "**Loan and Mortgage Pool**"). The Loan and Mortgage Pool will consist of 16 loans (the "**Loans**") to different borrowers (each a "**Borrower**") which, as at 19th June 2000 (the "**Cut-Off Date**"), had an outstanding aggregate principal amount of £254,580,981. There are two Principal Borrowers, the First Principal Borrowers, namely, Four Seasons Properties (Care Homes) Limited and Four Seasons Properties (Specialist) Limited, and the Second Principal Borrower, namely Orb (Lexham) Limited. Details of the Principal Borrowers and the relevant Loans, Mortgages and Related Security are set out in Appendix 1. Three of the Loans have been made available to three Borrowers incorporated in the Netherlands and these Loans are denominated in euro. Details of these Loans are set out in Appendix 2. The purchase price paid by the Issuer will be an amount equal to the outstanding aggregate principal balance of the Loans as at the Cut-Off Date. All of the Loans provide for the relevant Borrower to pay a fixed rate of interest and are governed by English law except the Dutch Loans which are governed by Irish law. Thirteen of the Loans are denominated in sterling and three of the Loans are denominated in euros. All the Loans are full recourse obligations of the related Borrowers and are secured by first priority mortgages, sub-mortgages or standard securities (each a "**Mortgage**") on residential and commercial properties given by a Borrower or a mortgagor (each a "**Mortgagor**"). The Loans are secured by Mortgages over 110 properties (the "**Properties**").

The terms of the credit agreements evidencing the Loans (the "**Loan Documentation**") require each of the Borrowers or Mortgagors to establish an account (each a "**Rent Account**") into which 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 Servicer will transfer from each Rent Account to two accounts, one denominated in sterling, the other in euro, with AIB Group (UK) plc in the name of the Issuer (the "**Transaction Accounts**") all amounts due to the Issuer under the applicable Loan paid by the Borrowers and credited to the Rent Accounts. 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 Accounts and will, subject to the payment of obligations of the Issuer having a higher priority having been paid, apply such funds in payment, inter alia, of principal and interest due on the Notes.

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 a floating rate of interest on the Notes, the Issuer will enter into an interest rate swap transaction with the Swap Provider, whose obligations under such transaction will be guaranteed by the Swap Guarantor (each as defined below).

In order to protect the Issuer against currency risk arising as a result of the Dutch Loans being denominated in euro and the relevant Borrowers paying interest and principal in euro whilst the Notes are denominated in sterling and the Issuer paying interest and principal on the Notes in sterling, the Issuer will enter into a currency 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 see "Credit Structure – Swap Guarantor Downgrade Event".

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 Loan Documentation and an assignment by way of security over the Issuer's beneficial interest in the trust over the Mortgages and the Related Security (as defined in "The Loans – The Loan Security" section), (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 Accounts 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 a fixed security interest).

There is no intention to accumulate any surplus in the Issuer.

The Parties

Issuer	European Loan Conduit No. 3 plc (the "**Issuer**"), a public company incorporated in England and Wales with limited liability under registration number 4021842.
Mortgage Originators	Five of 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, and 11 of the Loans were originated by Morgan Stanley Dean Witter Mortgage Capital Inc. ("**MSDWMCI**"), whose principal offices are located at 1585 Broadway, New York, New York 10036, USA. The Loans originated by MSDWMCI and all rights and obligations of MSDWMCI under them were subsequently novated to MSDW Bank.
Security Trustee	Morgan Stanley Mortgage Servicing Limited ("**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 Secured Liabilities (as defined in the relevant Loan Documentation). The beneficiaries of the Security Trusts were originally MSDW Bank or MSDWMCI. MSDWMCI assigned its interests in the Security Trusts to MSDW Bank upon the novation of the Loans originated by MSDWMCI to MSDW Bank.
Trustee	Chase Manhattan Trustees Limited (the "**Trustee**") will act as trustee for the holders of the Notes pursuant to a trust deed (the "**Trust Deed**") to be dated on or prior to the Closing Date between the Trustee and the Issuer.
Servicer	Morgan Stanley Mortgage Servicing Limited ("**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 MSDW Bank, the Servicer, the Trustee, the Issuer, the Security Trustee and the Special Servicer (as referred to below), act as servicer in respect of the Mortgages, the Loans and the Related Security. The services to be provided by the Servicer include, without limitation, the collection of payments of principal and interest under the Loans, the operation of the agreed enforcement procedures, the transfer of Borrower Interest Receipts, Borrower Principal Receipts and Prepayment Fees to the Transaction Accounts and the calculation of the amount of interest payable by the Borrowers on each Interest Payment Date. The Servicer will, subject to the terms of the Servicing Agreement, receive an annual fee payable quarterly in arrear calculated at the rate of 0.10 per cent. per annum (exclusive of VAT) on 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 (as defined below)).
Special Servicer	As at the Closing Date, MSMS will act as special servicer pursuant to the Servicing Agreement, but thereafter any person may be appointed as Special Servicer in substitution for MSMS pursuant to the provisions of the Servicing Agreement. The Special Servicer will only be appointed in relation to any Loan

	where the Interest Cover Percentage of that Loan is equal to or less than 110 per cent. If so appointed, the Special Servicer shall become responsible, save for certain limited exceptions, for servicing and administering the relevant Loan, Mortgage 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 the 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 Ltd (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 (the "**Corporate Services Provider**").
Swap Provider and the Swap Agreement	Morgan Stanley Capital Services Inc. ("**MSCS**" or the "**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**") with the Issuer, in order to protect the Issuer against interest rate and currency risk. The Issuer and the Swap Provider will on or prior to the Closing Date, enter into Swap Confirmations (the "**Swap Confirmations**") evidencing the terms of the swap transactions (the "**Swap Transactions**") to be entered into pursuant thereto in order to protect the Issuer against interest rate risk and currency risk arising in respect of the Loans. 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, subject to the provisions of the Swap Agreement, to enter into a collateral agreement in the forming of a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) or in such other form as may be acceptable to the Issuer (the "**Swap Agreement Credit Support Annex**") 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 Annex".
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 obli-

gations under the Swap Agreement and the Swap Transactions.

Liquidity Facility Provider and Liquidity Facility Agreement

Lloyds TSB Bank plc ("**LTSB**" or the "**Liquidity Facility Provider**"), acting through its Corporate and Institutional Financial Services Division located at St. George's House, 6-8 Eastcheap, London EC3M 1AE, will act as the liquidity facility provider (the "**Liquidity Facility Provider**") under a liquidity facility agreement (the "**Liquidity Facility Agreement**") with a maximum aggregate principal amount of £20,000,000 to be dated on or prior to the Closing Date and between the Liquidity Facility Provider, the Issuer and the Trustee. LTSB is a wholly owned banking subsidiary of Lloyds TSB Group plc. The Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time in respect of any shortfall in Borrower Interest Receipts in an amount equal to the difference between the Borrower Interest Receipts actually received during a Collection Period (as defined below) and the amount of interest receipts scheduled to be paid ("**Scheduled Interest Receipts**") on the Loans outstanding during such Collection Period (an "**Interest Drawing**"), or to make a drawing in respect of any shortfall in Scheduled Amortisation Funds in an amount equal to the difference between the Scheduled Amortisation Funds actually received during a Collection Period and the amount of scheduled principal payments due and payable on the Loans outstanding during such Collection Period, to the extent such shortfall in principal payments exceeds the sum of the Prepayment Redemption Funds or Final Redemption Funds received during such Collection Period (a "**Principal Drawing**"). In addition, the Liquidity Facility will be available to fund Revenue Priority Amounts payable to a third party other than MSDW Bank which fall due on a date other than an Interest Payment Date (an "**Expense Drawing**"). See further "Credit Structure – Liquidity Facility".

The Loans

The Loan and Mortgage Pool

All the Loans are full recourse obligations of the related Borrowers and are secured by first priority mortgages, sub-mortgages or standard securities on residential and commercial properties of which 33 per cent. are on office properties, 31 per cent. on residential nursing/specialist care homes, 15 per cent on residential properties and 11 per cent. on retail properties, in each case by property values (calculated by reference to the relevant Condition Precedent Valuations). The Loans are secured by Mortgages over 110 properties which are located in England and Wales, Scotland, Ireland, Northern Ireland and the Isle of Man, with a concentration in Central and Greater London (32 per cent. by property value, calculated by reference to the relevant Condition Precedent Valuations). All of the Loans were originated by MSDWMCI or by MSDW Bank, and met in all material respects the lending criteria applied by MSDWMCI or by MSDW Bank, as the case may be, in advancing the Loans (the "Lending Criteria"), subject to such variations or waivers as would have been acceptable to a reasonably prudent lender of money secured on residential and commercial property.

The following is a summary of certain characteristics of the Loan and Mortgage Pool:

minimum Cut-Off Date balance	£2,343,750

	maximum Cut-Off Date balance	£84,000,000
	average Cut-Off Date balance	£15,911,311
	minimum Mortgage Rate	7.050%
	maximum Mortgage Rate	8.65%
	weighted average Mortgage Rate	8.18%
	minimum Cut-Off Date ICR	1.16x
	maximum Cut-Off Date ICR	1.93x
	weighted average Cut-Off Date ICR	1.34x
	minimum Last Payment Date DSCR	1.04x
	maximum Last Payment Date DSCR	1.58x
	weighted average Last Payment Date DSCR	1.22x
	minimum Cut-Off Date LTV	64.75%
	maximum Cut-Off Date LTV	80.00%
	weighted average Cut-Off Date LTV	75.94%
	minimum Balloon LTV	56.68%
	maximum Balloon LTV	76.90%
	weighted average Balloon LTV	66.52%

See further "The Loan and Mortgage Pool" below.

Valuations

In relation to each Loan, prior to making the initial advance, MSDWMCI or MSDW Bank, as the case may be, 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 "**Condition Precedent Valuation**"). All references herein to valuations (including LTVs and property values) shall be construed as references to such Condition Precedent Valuations.

The Principal Borrowers

The Loans made to two of the Borrowers account for a substantial proportion of the Loan and Mortgage Pool. The Principal Borrowers are Four Seasons Properties (Care Homes) Limited and Four Seasons Properties (Specialist) Limited (the "**First Principal Borrowers**") and Orb (Lexham) Limited (the "**Second Principal Borrower**" and, together with the First Principal Borrowers, the **Principal Borrowers**"). The Loans made to the Principal Borrowers account for approximately 33 per cent. and 15 per cent. of the Loan and Mortgage Pool, respectively at the Cut-Off Date. Particulars of the Principal Borrowers and their respective loans are given in "The Principal Borrowers" and Appendix 1.

The Dutch Loans

Three of the Loans (the "**Dutch Loans**") have been made to three Borrowers incorporated in the Netherlands (the "**Dutch Borrowers**"). The Dutch Loans are denominated in euro. Particulars of the Dutch Loans and the Dutch Borrowers are given in "The Dutch Loans" and Appendix 2.

Payments on the Loans

As at the Cut-Off Date, no payment had been made under seven of the Loans; one payment had been made in April 2000 under seven of the Loans; two payments have been made in January and April 2000 under two of the Loans. All of the Loans were

current as at the Cut-Off Date. The Loans are repayable at their respective final maturity dates, subject to earlier amortisation, as provided in each of the Loans. In addition, all of the Loans have principal repayment obligations arising before their respective final maturity date and all of the loans are prepayable, in part or in full, on any scheduled loan payment date, subject to payment of a Prepayment Fee.

Representations and Warranties

The mortgage sale agreement (the "**Mortgage Sale Agreement**") pursuant to which the Issuer will purchase the Loans and the beneficial interests in the Security Trusts from MSDW Bank, contains certain warranties given by MSDW Bank in relation to the Loans and the Mortgages, including warranties in relation to the Lending Criteria, which are summarised in "The Loans, the Mortgages and the Related Security – Representations and Warranties". MSDW Bank will be required to repurchase any Loans together with the Mortgages and Related Security in respect of which there has been a material breach of warranty and such breach (if capable of remedy) has not been remedied within the time specified in the Mortgage Sale Agreement.

The Loan Security

In all of the Loans, the Borrower or Mortgagor has executed a debenture over all its assets in favour of the Security Trustee as security for the Borrower's obligations under the Loan and other liabilities owing from time to time to the lender (the "**Debentures**"). In the case of each such Borrower, the Debenture executed includes (or provides for the execution of) Mortgages over the relevant Properties securing the applicable Loan. Where the Properties are owned by the Mortgagor, the Mortgagor has executed a separate Debenture. In respect of the Scottish, Irish, Northern Irish and Isle of Man situated properties supplemental mortgages or standard securities (as the case may be) in Scottish, Irish, Northern Irish and Isle of Man form respectively have been executed. Security for a Loan may also include 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 any 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 as referred to herein as the "**Related Security**". For a description of the security arrangements in respect of the Principal Borrowers see "The Principal Borrowers" and Appendix 1.

No Further Advances

None 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 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. 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 pursuant to the Mortgage Sale Agreement). 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 £197,300,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class A Notes**"), the £17,821,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class B Notes**"), the £15,275,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class C Notes**"), the £15,911,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class D Notes**") and the £8,274,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2009 (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**") will be constituted by the Trust Deed. The Notes of each class will rank *pari passu* and rateably 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 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.

The Notes of each class offered and sold in the United States in reliance on Rule 144A will initially be represented by two Rule 144A Global Notes in respect of each class, in bearer form, each of which will be deposited with The Chase Manhattan Bank, New York (the "**Depository**"). The Depository will 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, and a certificateless depository interest in respect of the other Rule 144A Global Note in respect of each class of Notes in the name of the Common Depositary for the account of Euroclear and Clearstream, Luxembourg. The Notes of each class offered and sold outside the United States to non-U.S. persons in reliance on Reg S will initially be represented by a Reg S Global Note in respect of such class, in bearer form, which will be deposited with the Depository. The Depository will issue a certificated depository interest in respect of the Reg S Global Note of each class to the Common Depository for the account of Euroclear and Clearstream, Luxembourg.

Definitive Notes will be issued in registered form only in certain limited circumstances (see "Terms and Conditions of the Notes – Definitive Notes" and "Description of the Notes and the Depository Agreement"). So long as the Notes are held by the Depository in global form, the Depository will be deemed for all purposes to be the owner of such Notes and 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(g) and Condition 12".

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 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 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

Claims against the Issuer by the holders of the Notes will be limited to the Issuer Security. The proceeds of realisation of the Issuer Security may after paying or providing for all prior-ranking claims be less than the sums due to 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(c)), net of the relevant proportion of any Principal Shortfall in respect of such class of Notes, from, and including, the Closing Date. Interest will be payable in respect of the Notes in pounds sterling quarterly in arrear on the 25th day in January, April, July and October in each year or, if such day is not a Business Day, the next following Business Day (unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day) (each such day being an "**Interest Payment Date**"). The first Interest Payment Date in respect of each class of Notes will be 25th October, 2000.

The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the first Interest Payment

Date. Each subsequent Interest Period applicable to the Notes will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date.

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

The interest rate applicable to the Notes from time to time will be LIBOR for three-month sterling deposits (or, in the case of the first Interest Period, the linear interpolation of three and four-month sterling deposits) plus the Relevant Margin. The "Relevant Margin" in respect of each class of Notes will be:

Class	Relevant Margin
A	0.40 per cent. per annum
B	0.55 per cent. per annum
C	1.15 per cent. per annum
D	1.40 per cent. per annum
E	1.40 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.

The holders of the Class A Notes will only receive interest payments after payment by the Issuer of certain costs and expenses (see "Distributions" below). The Issuer's obligation to pay interest on the Class B Notes will be subordinated to all interest payments on the Class A Notes (including accrued and deferred interest), and all its obligation to pay interest on the Class C Notes, Class D Notes and Class E Notes will, in each case, also be subordinated to the Issuer's obligation to pay interest on any and all senior-ranking classes of Notes then outstanding in the same manner.

Failure by the Issuer to pay interest on the Class A Notes (or the most senior class of Notes which is still outstanding where one or more classes of Notes has been redeemed in full) when due will result in an Event of Default 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 in the next paragraph, 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. Such shortfall will accrue interest at the then rate of interest applicable to the relevant class of Notes during the time it remains unpaid. Such shortfall of interest and interest accrued thereon shall be paid in priority to the current interest due on such class or classes of Notes on each subsequent Interest Payment Date, but only if and to the extent that funds are available

therefor. To the extent that funds do not become available on subsequent Interest Payment Dates, then at final maturity or earlier redemption of the Class B Notes, Class C Notes, Class D Notes or Class E Notes, as the case may be, the Issuer's obligation in respect of any outstanding shortfall and interest thereon will cease. See further "Terms and Conditions of the Notes – Condition 16(*a*)".

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 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 an Interest Drawing 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 this paragraph (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.

Principal Final Redemption

Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding, net of any Principal Shortfall, together with accrued interest on the Interest Payment Date falling in July 2009 (the "**Maturity Date**").

Principal Amount Outstanding

The Principal Amount Outstanding of a Note on any date will be its face amount less the aggregate amount of principal repayments that have become due and payable in respect of that Note since the Closing Date and on or prior to such date, whether or not paid.

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 "Distributions - Payments out of the Transaction Accounts prior to Enforcement of the Notes – Available Principal" below on each Interest Payment Date. 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 by virtue of a change in tax law from that in effect on the Closing Date (i) the Issuer will be obliged to make any withholding or deduction from payments in respect of the Notes or (ii) 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, net of all Principal Shortfalls, is less than 10 per cent. of the initial Principal Amount Outstanding of all the Notes issued on the Closing Date; or

(c) if a Tax Event 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 such 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 "Distributions – Payments out of the Transaction Accounts Prior to Enforcement of the Notes" below. See further "Terms and Conditions of the Notes – Conditions *6(c)*, *6(d)* and *6(e)*".

If a shortfall in the amount owing in respect of interest on the Class D Notes or the Class E Notes or principal of the Notes of any class exists on the Maturity Date or on the date of any earlier redemption in full of the Notes of any class, after payment on the Maturity Date or such earlier date of redemption 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 or such earlier date of 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.

Ratings

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

Class	*Expected Rating*
A	AAA
B	AA
C	A
D	BBB
E	BB

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 agency.

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 the 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".
Listing and Trading	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List. Application has also been made to the London Stock Exchange for the Notes to be admitted to trading on the London 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 Accounts

On each payment date under the Loans (each a "**Loan Payment Date**"), the Servicer is required to transfer from each Borrower's Rent Account to the applicable Transaction Account all payments made by such Borrower in respect of interest, principal and fees and other amounts due under the Loans. Amounts standing to the credit of the Transaction Accounts from time to time are referable to the following sources:

(a) "*Borrower Interest Receipts*", comprising all payments of interest, fees (other than Prepayment Fees), breakage costs, expenses, commissions and other sums paid by Borrowers in respect of the Loans, the Mortgages or the Related Security (other than any payment in respect of principal) including recoveries in respect of such amounts on enforcement of a Loan, a Mortgage or Related Security;

(b) "*Scheduled Amortisation*", comprising all principal received or recovered in respect of the Loans, Mortgages and Related Security other than Prepayments and Final Repayments;

(c) "*Prepayments*", comprising all principal payments (excluding any Prepayment Fees) received as a result of any prepayment in part or in full prior to final maturity of the relevant Loan including any prepayment which results from Principal Recoveries;

(d) "*Final Repayments*", comprising all principal payments received as a result of the repayment in full of a Loan upon

its final maturity date including any repayment which results from Principal Recoveries; and

(e) "*Prepayment Fees*", comprising all fees and costs (except for breakage costs) received as a result of any prepayment described in paragraph (c) above, including any such fees arising from a prepayment which results from Principal Recoveries, together with any breakage costs received from the Swap Provider as a result of any such prepayment (together, the **'Prepayment Fees"**). Prepayment Fees shall not be included in the calculation of Borrower Interest Receipts at any time. Prepayment Fees received during any Collection Period (collectively, the **'Prepayment Amount"** in respect of that Collection Period) shall be paid to MSDW Bank (or, in the event that the right to the Prepayment Fees has been assigned to a third party, to the person then entitled to the Prepayment Fees) on the immediately following Interest Payment Date as a component of the Deferred Consideration 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 Annex is entered into and the Swap Collateral Cash Account and the Swap Collateral Custody Account 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 Annex in priority to any other payment obligations of the Issuer.

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

(a) Priority Amounts

The Cash Manager may make the following payments out of the accounts of the Issuer 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 Borrower Principal Receipts (as defined below), 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 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, a Mortgage 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 Mortgage 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 Mortgage Sale Agreement ("**Principal Priority Amounts**").

Revenue Priority Amounts and or Principal Priority Amounts payable to MSDW Bank are either (A) amounts that accrued under the Loans prior to the Closing Date, which do not belong to the Issuer; and or (B) where there has been a breach of warranty under a Loan and MSDW Bank has consequently repurchased the relevant Loan, any moneys subsequently received by the Issuer in respect of that Loan which do not belong to the Issuer.

(b) Available Interest Receipts

On each Interest Payment Date prior to the service of a Note Enforcement Notice, (i) all sterling Borrower Interest Receipts transferred by the Servicer into the sterling 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; (ii) any payments received by the Issuer under the Swap Transactions or the Swap Guarantee other than those relating to principal payments on the three Dutch Loans and other than any amounts received by the Issuer by way of collateral pursuant to the Swap Agreement Credit Support Annex; (iii) an amount equal to the Liquidation Fee, if any, payable on such Interest Payment Date; (iv) the proceeds of any Interest Drawing made under the Liquidity Facility Agreement in respect of such Interest Payment Date; and (v) in the case of the first Interest Payment Date only, and for the purposes of repayment of principal on the Class E Notes only pursuant to paragraph (viii) below, £19 (being the amount by which the aggregate Principal Amount Outstanding on the Notes on the Closing Date exceeds the aggregate principal amount outstanding on the Loans as at the Cut-Off Date), (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 by or towards any amounts due and payable by the Issuer on such Interest Payment Date to (A) the Trustee, the Security Trustee and any receiver appointed under a Loan, a Mortgage or its Related Security, *pari passu*; then (B) the Paying Agents and the Agent Bank under the Agency Agreement; then (C) until the date on which the aggregate Principal Amount Outstanding, net of Principal Shortfalls, of the Notes as at such Interest Payment Date, 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 Servicing Fee and any Liquidation Fee, if any, then payable; then (D) the Cash Manager under the Cash Management Agreement; then (E) the Corporate Services Provider under the Issuer Corporate Services Agreement; then (F) the Operating Bank under the Cash Management Agreement; then (G) amounts due to the Depository under the Depository Agreement; then (H) the Exchange Agent under the Exchange Rate Agency Agreement; then (I) the Swap Provider under the Swap Agreement in respect of fees, costs and expenses including, without limitation, breakage costs; and then (J) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any drawings (other than any principal amount of any Principal Drawings) made by the Issuer under the Liquidity Facility Agreement and the commitment fee (except to the extent that the commitment fee has been increased pursuant to the imposition of increased costs on the Liquidity Facility Provider), and any Mandatory Costs (as defined in the 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 any third party 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 and the payment of the Issuer's liability (if any) to value added tax and to corporation tax;

(iii) (A) in payment or discharge to or towards interest due and, to the extent that Available Interest Receipts are received in respect of interest due on the Loans in a Collection Period occurring prior to the Interest Payment Date, other than the Collection Period ended immediately prior to the Interest Payment Date, interest overdue (and any interest due on such overdue interest) on the Class A Notes and (B) in payment or discharge of any Deferred Consideration payable to MSDW Bank or the person or persons otherwise entitled thereto, to the extent payable out of excess Available Interest Receipts (see "The Loans, The Mortgages and The Related Security – Acquisition – Mortgage Sale Agreement");

(iv) in payment or discharge to or towards interest due and, to the extent that Available Interest Receipts are received in respect of interest due on the Loans in a Collection Period occurring prior to the Interest Payment Date, other than the Collection Period ended immediately prior to the Interest Payment Date, 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, to the extent that Available Interest Receipts are received in respect of interest due on the Loans in a Collection Period occurring prior to the Interest Payment Date, other than the Collection Period ended immediately prior to the Interest Payment Date, 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 and, to the extent that Available Interest Receipts are received in respect of interest due on the Loans in a Collection Period occurring prior to the Interest Payment Date, other than the Collection Period ended immediately prior to the Interest Payment Date, interest overdue (and any interest due on such overdue interest) on the Class D Notes;

(vii) in payment or discharge to or towards interest due and, to the extent that Available Interest Receipts are received in respect of interest due on the Loans in a Collection Period occurring prior to the Interest Payment Date other than that period immediately prior to the Interest Payment Date, interest overdue (and any interest due on such overdue interest) on the Class E Notes;

(viii) in redemption in part of the Class E Notes in an amount equal to the sum of (1) the lower of (a) the excess of Available Interest Receipts over the Priority Revenue Payments (as defined in Condition 6(*b*)) then payable, and (b) the amount equal to (i) the product of (x) 0.375 *per cent* and (y) the aggregate Principal Amount Outstanding of the Notes as at the Closing Date minus (ii) the aggregate principal amount of the Class E Notes redeemed on any preceding Interest Payment Date pursuant to the Class E mandatory partial redemption provisions set out in Condition 6(*b*) plus (2) in the case of the first Interest Payment Date only, £19;

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

(x) if, on such Interest Payment Date, the aggregate Principal Amount Outstanding (net of any Principal Shortfalls under the Notes 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; and

(xi) any surplus to the Issuer.

(c) Available Principal

On each Calculation Date, the Cash Manager shall calculate, on the basis of information provided to it by the Servicer, and on the basis of the amounts that will be payable under the currency swap transactions (the "**Currency Swap Transactions**") on the next Interest Payment Date in respect of principal on the Dutch Loans, the Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption

Funds in respect of the Collection Period then ended. For these purposes:

(a) "**Scheduled Amortisation Funds**" on any Calculation Date means the amount which is the aggregate of all principal received or recovered by or on behalf of the Issuer in respect of the Loans and/or the Mortgages and/or the Related Security, other than any Prepayment Redemption Funds or Final Redemption Funds (each as defined below) during the Collection Period then ended, all insurance proceeds relating to principal received by or on behalf of the Issuer during such Collection Period other than those required to be paid to the relevant Borrower or used to reinstate the relevant Property and purchase moneys paid to the Issuer (other than in respect of accrued interest) on repurchase or purchase of any Loans and Mortgages pursuant to the terms of the Mortgage Sale Agreement during such the Collection Period, and "**Available Scheduled Amortisation Funds**" means, in respect of any Calculation Date, the Scheduled Amortisation Funds in respect of the Collection Period then ended, the aggregate principal amount available for drawing under the Liquidity Facility Agreement in respect of principal instalments due under the Loans during the Collection Period ended on such Calculation Date and unpaid (to the extent such shortfall exceeds Prepayment Redemption Funds and Final Redemption Funds received during such Collection Period), less the aggregate amount of Scheduled Amortisation Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts during that Collection Period;

(b) "**Prepayment Redemption Funds**" means the aggregate net amount of principal payments received or recovered by or on behalf of the Issuer in respect of the Loans and/or Mortgages in any Collection Period as a result of any prepayment in part or in full made by such Borrowers pursuant to the terms of the relevant Loan including any prepayment which results from Principal Recoveries, and "**Available Prepayment Redemption Funds**" means, in respect of any Calculation Date, the Prepayment Redemption Funds received or recovered 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; and

(c) "**Final Redemption Funds**" means the aggregate net amount of principal payments received or recovered by or on behalf of the Issuer in respect of the Loans and/or the Mortgages in any Collection Period as a result of the repayment in full of the relevant Loan upon its scheduled final maturity date including any repayment which results from Principal Recoveries, 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 and any amount to be

transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purposes 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 Scheduled Amortisation Funds, Available Prepayment Funds or Available Final Redemption Funds, as applicable, on any preceding Calculation Date. The Scheduled Amortisation Funds, the Prepayment Redemption Funds and the Final Redemption Funds are collectively referred to as "Borrower Principal Receipts". The Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds calculated on each Calculation Date are collectively referred to as the "Available Principal" for the purposes of the Interest Payment Date immediately following such Calculation Date.

On each Interest Payment Date, Available Principal 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) first, in repaying or paying any amounts due or overdue under each Loan individually in respect of, and in the following order of priority: (A) any payments of breakage costs payable by the Issuer in respect of any Swap Transaction associated with that Loan and then (B) Principal Drawings, excluding interest due and unpaid thereon, under the Liquidity Facility Agreement;

(ii) secondly, in repaying principal on the Class A Notes until all the Class A Notes have been redeemed in full and then in paying any amounts outstanding in respect of the A Principal Shortfall Ledger;

(iii) thirdly, in repaying principal on the Class B Notes until all the Class B Notes have been redeemed in full and then in paying any amounts outstanding in respect of the B Principal Shortfall Ledger;

(iv) fourthly, in repaying principal on the Class C Notes until all the Class C Notes have been redeemed in full and then in paying any amounts outstanding in respect of the C Principal Shortfall Ledger;

(v) fifthly, in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full and then in paying any amounts outstanding in respect of the D Principal Shortfall Ledger; and

(vi) sixthly, in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full and then in paying any amounts outstanding in respect of the E Principal Shortfall Ledger; and

(vii) seventhly, in paying that component of the Deferred Consideration, if any, that comprises any excess Available Principal. See "The Loans, The Mortgages and The Related Security – Acquisition – Mortgage Sale Agreement".

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 Accounts shall be invested in Eligible Investments.

Payments paid out of the Transaction Accounts 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 under the Notes and to each of the Trustee, the Security Trustee, the Corporate Services Provider, the Servicer, the Special Servicer, the Cash Manager, the Liquidity Facility Provider, the Swap Provider, the Paying Agents, the Agent Bank, the Operating Bank, the Depository, the Exchange Agent and MSDW Bank (all of such 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 Loan Documentation and an assignment by way of security over its beneficial interest in the Security Trusts created over the Mortgages and the Related Security;

(ii) an assignment by way of security over the Related Security not otherwise assigned by way of security under (i) above;

(iii) an assignment by way of security of the Issuer's rights under, *inter alia*, the Mortgage Sale Agreement, the Servicing Agreement, the Issuer Corporate Services Agreement, 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 Annex (if and when executed), the Depository Agreement, the Exchange Rate Agency Agreement and the Master Definitions Agreement;

(iv) an assignment by way of security of the Issuer's interests in the Transaction Accounts, the Swap Collateral Cash Account (if and when opened), the Swap Collateral Custody 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

(v) 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 the fixed charges set out in paragraphs (i) to (iv) above but extending over all Scottish assets).

Upon enforcement of the Issuer Security, the amounts payable to the Secured Parties will rank in priority to payments of interest or principal on the Class A Notes, except for amounts owed to MSDW Bank under the Mortgage Sale Agreement and in the case of the Special Servicer and the Liquidity Facility Provider, any amounts due to them as described in items (vi) and (viii), respectively of "Credit Structure – Post-Enforcement Priority of Payments". **Upon enforcement of the Issuer Security, all amounts owing to the Class B Noteholders will rank after all payments on the Class A Notes. All amounts owing to the Class C Noteholders will rank after all payments on the Class B Notes. All amounts owing to the Class D Noteholders will rank after all payments on the Class C Notes. 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 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 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 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 interest on the Class D Notes or the Class E Notes or principal of the Notes of any class exists on the Maturity Date or on the date of any earlier redemption in full of the Notes of any class, after payment on the Maturity Date or such earlier date of redemption 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 or such earlier date of 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.

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 Mortgage Sale Agreement in relation to the Loans, the Mortgages, the Properties and other associated matters (see further "The Loans, the Mortgages 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 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 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, the Mortgages 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 Mortgage Sale Agreement (see further "The Loans, the Mortgages 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, the Mortgages, the Related Security and, where applicable, payments under the Swap 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, the Mortgages and the Related Security, the Issuer does not receive the full amount due from those 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.

Each Loan contains provisions requiring the relevant Borrower to make a substantial repayment of principal on the final maturity date of the relevant Loan. The Borrower's ability to repay 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 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 are secured by Mortgages over various income-producing commercial or residential properties, and repayment of each Loan and the payment of interest on each Loan is typically 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 the 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 in respect of such Property to default on its Loan.

First Principal Borrowers

As set out in Appendix 1

In relation to the Loans to the First Principal Borrowers investors should note in particular the following issues:

Structure

All of the properties charged as security for the loans to these borrowers are let on 25 year leases to one of four associated operating companies ("Operating Companies") who operate the nursing/ residential care home business from the property. The Operating Companies are dependent upon such business to generate income with which to pay rent to these Borrowers, which rent is used to make interest and amortisation payments due under the Loans. The ability of the Operating Companies to generate such income may be influenced by some or all of the following factors.

Public Sector Funding

A source of the income of the Operating Companies is derived from state-funded sources, principally Local Authorities. Such Authorities have cash-limited budgets which affects the scope of services they can offer.

Demography

Demand for long term care is expected to decline slightly between 2001 and 2004 as a result of the drop in the birth rate which coincided with the First World War.

Capacity and Demand

Private care home capacity increased at a higher rate than demand during the first four years after community care reforms were introduced in 1993. As a result, industry average occupancy rates decreased. In the last two years, private care home capacity has dropped and occupancy rates have stabilised.

Government Policy

The recent Government White Paper *"Modernising Social Services"* states that national care standards will be developed. The proposed new physical standards are unlikely to have an adverse impact on the business of the Operating companies as they are proposed to be set at a level below that at which the Operating Companies currently operate.

Employment Costs

The introduction of the national minimum wage has increased costs to the independent nursing and residential home sector. The Operating Companies consider the impact of this minimal, however.

Staff

The care home industry currently faces challenges in recruiting and retaining qualified staff as a result of the shortage of nurses. This is being countered to some extent by government initiatives to increase the number of young people entering nursing training and to encourage trained nurses who have left nursing to return and also by the recruitment of nurses from abroad. The likelihood of pay increases for qualified nursing staff increasing by a rate significantly above inflation has been reduced by the recent pay increases awarded to NHS staff, which have already had a consequential effect on nursing home pay rates.

Strategy

The Operating Companies operate both large and small homes throughout the United Kingdom (except Wales) and the Isle of Man. The majority of these are general residential care homes, but some offer more specialised care. The effect of one or more of the above factors occurring in one particular area or region is reduced by the geographical spread of the properties (though there is a concentration of risk with the three specialist care homes that are in the same geographical area), and the ability of the Operating Companies to apply additional or surplus income deriving from one property to reduce a shortfall from another.

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 the Borrower or Mortgagor landlord is in default of its obligations under a tenancy a right of set-off could be exercised against the Borrower or Mortgagor landlord by a tenant of the Property in respect of its rental obligations. The terms of many of the Leases, however, specifically exclude such tenants right of set-off. In respect of a multi-tenanted Property, a Borrower or Mortgagor landlord 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 Issuer or the Trustee takes possession following enforcement, will also be binding on the Issuer and the Trustee as mortgagees (the term "mortgagee" includes a heritable creditor in Scotland throughout this document) following the Closing Date.

In order to ensure that it receives rent payments from the tenants, MSDW Bank (references to MSDW Bank should be taken to include reference to MSDWMCI in relation to those Loans originated by MSDWMCI) has structured the Loans so that rent payments are made, either directly or through a managing agent account or other account into 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, 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 a Managing Agent is appointed tenants are not advised of the existence of the Rent Accounts, and MSDW Bank relies upon the 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 a 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 Mortgage, charging or assigning the rents to a third party. Under English, Scots and Northern Irish law, the right to receive rent payments passes to a mortgagee (including the Security Trustee and the Trustee) on enforcement of the mortgage without the need for any express assignment, and therefore the claim of the Security Trustee or the Trustee under its Mortgage 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 responded to notice of the wrongful assignment by paying rent to a third party in ignorance of the Mortgage. Under Isle of Man law, it would be necessary to appoint a receiver.

With regard to the Irish Properties, the Irish Mortgages in and of themselves do not effect an assignment of the rents until notice of the assignment is served on the tenant. However, notices of assignments have been served on all the tenants of the Irish Properties.

The purchase of the Loans and of the beneficial interests in the Security Trusts created over the Mortgages and Related Security has been structured in an attempt to address any risk to the rent payments as outlined above 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, Isle of Man and Irish 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 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, the Mortgages 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 or assigned to the Borrower thereunder (or an affiliate of the Borrower) without MSMS's consent. In respect of the English 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) and so long as such lease is granted on normal commercial terms. In the case of Irish and Northern Irish Properties there is an absolute restriction on assignment of leases of the Irish Properties and the Northern Irish Properties. In accordance with the provisions of the Deeds of Conditional Bond and Security in relation to the Isle of Man Properties, the granting or assigning of a lease of a Property situated in the Isle of Man by a Borrower or Mortgagor to any other entity is subject to obtaining the consent of MSMS. The Isle of Man operating leases were based on the English operating leases and the same provisions therefore apply, but Section 99 of the Law of Property Act 1925 does not apply. In accordance with the provisions of the standard securities over the Scottish Properties, the granting or assigning of a lease of a Property situate in Scotland by a Borrower to any other entity is subject to obtaining the consent of MSDW Bank.

In the case of leasehold Properties located in England and Wales which are sublet (by a Borrower), 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. In similar circumstances, in the case of leasehold properties located in Northern Ireland which are sublet, the rent (or a part of it) may be diverted to the superior landlord by a notice served by the superior landlord under Section 20 of the Landlord and Tenant Law Amendment Act

(Ireland) 1860, while in Scotland a superior landlord has in these circumstances the right at common law to arrest the rents in the hands of the sub-tenants and thereafter make court application to have the rents made over to the superior landlord. It may also be diverted voluntarily by the sub-tenant in accordance with Section 21 of that Act. 0 per cent. of the Scottish Properties, 15.9 per cent. of the properties situated in England and Wales and 30.5 per cent. of the Northern Irish Properties by property value are in each case leasehold properties. The remainder of the Properties are freehold properties (or the Scottish equivalent).

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.

Risks relating to loan concentration

In relation to any pool of loans, loan losses will be more severe: (i) if the pool is comprised of a small number of loans, each with a relatively large principal amount; or (ii) if the losses relate to loans that account for a disproportionately large percentage of the pool's aggregate principal balance. As there are only 16 underlying Loans, losses on any Loan may have a substantial adverse effect on the ability of the Issuer to make payments under the Notes. The Loans made to the First Principal Borrowers and the Second Principal Borrower account for approximately 33 per cent. and 15 per cent. respectively, the Loans made to the First, Second and Third Dutch Borrowers account for approximately 8 per cent., 4 per cent. and 7 per cent. respectively in each case calculated by reference to the principal balance of the Loan and Mortgage Pool as of the Cut-Off Date. Details of the Principal Borrowers are set out in "The Principal Borrowers" and in Appendix 1.

In addition, concentrations of Loans 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 and Mortgage Pool".

Payments made net of Principal Shortfalls in certain circumstances

In the event that the Notes are redeemed in the circumstances contemplated by Condition 6*(a)*, Condition 6*(c)*, Condition 6*(d)* or Condition 6*(e)*, then the amount repaid in respect of each such class of the Notes will be net of any Principal Shortfall then attributable to that class of Notes. The relevant Noteholders will have no claim against the Issuer in respect of any such Principal Shortfall. 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 Mortgages, will be borne initially by the holders of the Class E Notes and, upon the reduction to zero of the Principal Amount Outstanding (less Principal Shortfalls) of the Class E Notes, by the holders of the Class D 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 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. No drawing may be made under the Liquidity Facility Agreement in respect of any shortfall in interest receipts arising as a consequence of voluntary prepayments made on the Loans.

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

Except as described under "The Loans, the Mortgages 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 Mortgage Sale Agreement (see further "The Loans, the Mortgages 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 Loans and the Mortgages if the breach is material (and is not remedied) shall be to require MSDW Bank to repurchase any relevant Loan, Mortgage 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, Mortgage and its Related Security when obliged to do so.

Payments under Loans

At least one payment of interest has been made by Borrowers under five of the Loans. The first interest payment date for the Dutch Loans will be 18th July 2000 and there will be no principal repayment until July 2002. No payment has been made under seven of the Loans; one payment has been made under seven of the Loans; two payments have been made under two of the Loans. All of the Loans are current as of the Cut-Off Date. The Issuer cannot (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 the Government of the Republic of Ireland; or

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

(iii) in respect of which 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. MSDW Bank currently maintains a contingency insurance policy (covering, *inter alia*, the failure by a Borrower's or Mortgagor's landlord or tenant to insure) in relation to the Loans and the Mortgages. The buildings insurance policies may not, in each case, refer to successors in title of MSDW Bank.

On the Closing Date, the Issuer will acquire MSDW Bank's beneficial interests in the Security Trusts (which include its 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 alia*, 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*".

In the case of a lease of any property in Scotland (a "**Scottish Property**"), where the original tenant assigns such lease, that tenant's liability to the landlord will cease, subject to any express contractual agreement to the contrary. None of the leases in respect of the Scottish Properties contains such an express contractual agreement to the contrary.

In the case of a lease of any property located in Northern Ireland (a "**Northern Irish Property**") or the Republic of Ireland (an "**Irish Property**) which requires landlord's consent to assignment, the outgoing tenant (be it the original tenant or any subsequent assignee) is released from all liability to the landlord when the landlord gives his consent in the form required by Section 16 of the Landlord and Tenant Law Amendment Act (Ireland) 1860. Such consent is normally obtained as a matter of standard practice upon the assignment of any lease. Where such consent is not obtained, whether because the lease does not require consent or otherwise, the original tenant and his successors remain liable to the landlord throughout the term of the lease.

In the case of the leases of either of the Isle of Man situated properties the original tenant remains fully liable to the landlord throughout the original term of the lease irrespective of assignment, unless specifically released by the landlord. There is no Isle of Man equivalent to the Covenants Act.

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 Class A Noteholders 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 Agency are based on the Loans, the Mortgages, 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 Agency. 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 payment of principal on a date that is not later than the Interest Payment Date falling in July 2009. 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 the Rating Agency as a result of changes in or unavailability of information or if, in the judgement of the Rating Agency, circumstances so warrant. A downgrade, withdrawal or qualification of any of the ratings mentioned above may impact upon the ratings of the Notes.

Agencies other than the Rating Agency could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes by the Rating Agency, 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 Agency only.

Absence of secondary market; limited liquidity

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

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings to be made in the circumstances described in "Credit Structure – Liquidity Facility". The facility will however, be subject to a maximum aggregate principal amount of £20,000,000 which will in certain specified circumstances be reduced. The Liquidity Facility is not available to meet shortfalls in Final Redemption Funds or Prepayment Redemption Funds or to fund any Revenue Priority Amount payable to MSDW Bank or any Principal Priority Amount. It is also not available to meet any shortfall in Borrower Interest Receipts arising as a result of voluntary prepayments of the Loans made by the Borrowers.

Appointment of Substitute Servicer

The Trustee must appoint a Substitute Servicer prior to or contemporaneous with a termination of the appointment of the Servicer under the Servicing Agreement. 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, the Mortgages 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. Such substitute servicer would not become bound by MSDW Bank's obligations under the Mortgage Sale Agreement. The fees and expenses of a substitute servicer performing services in this way would be payable in priority to payment of interest under the Class A 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, 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 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 considerable discretion in determining how and in what manner to proceed and what action should be taken in relation to a Specially Serviced Loan and its related Mortgage 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.

Mortgagee in possession liability

The Security Trustee or the Trustee (if the Trustee has taken enforcement action against the Issuer) may be deemed to be a mortgagee in possession if the Security Trustee or the 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 or the Trustee. The enforcement procedures contained in the Mortgages 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 Issuer; this could result in the Security Trustee (or the Trustee if it has taken enforcement action against the Issuer) 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.

The Trustee has the absolute discretion, at any time, to serve a written notice on the Servicer (or the Special Servicer) requiring the Servicer (or the Special Servicer) to obtain the Trustee's prior written consent before taking any action which would be likely to lead to the Security Trustee or the Trustee becoming a mortgagee in possession in respect of a Property. 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 either the Issuer or the Trustee is deemed to be a mortgagee in possession.

Environmental risks

If any environmental liability were to exist in respect of any Property or Borrower or Mortgagor, neither the Security Trustee nor the Trustee should incur responsibility for such liability prior to enforcement of the relevant Loan, Mortgage and Related Security, unless it could be established that the Security Trustee or the Trustee (or the Servicer or the Special Servicer on behalf of the Security Trustee and/or the Trustee) had entered into possession of the Property or could be said to be in control of the Property. After enforcement, the Security Trustee or the Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Security Trustee or the 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 a reduction in the price obtained for the Property resulting in a sale at a loss.

Legal Title

All of the Properties, (except those in the Isle of Man), comprise registered land. In relation to certain loans, the Borrower or relevant Mortgagor is not yet registered as legal proprietor of a Property (following its acquisition of that Property) and consequently the Security Trustee is not yet registered as proprietor (or in Scotland heritable creditor) of the legal mortgage or standard security granted to it by the Borrower or Mortgagor over that Property. MSDW Bank have confirmed, following consultation with their external

legal advisers, that they are not aware of any reason why in such instances the Borrower or Mortgagor in question should not be registered as legal proprietor of the Property or why the Security Trustee should not be registered as proprietor (or in Scotland, heritable creditor) of the mortgage or standard security over the Property.

In each case the relevant 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 or (as applicable) the Registers of Scotland or the Irish Land Registry or the Deeds Register of the Isle of Man for registration of transfer of the title and the relevant mortgage or standard security. MSDW Bank holds funds sufficient to pay the fees or has received solicitors' undertakings to pay the fees in relation to all necessary H.M. Land Registry, Registers of Scotland and Irish Land Registry or the Deeds Registry of the Isle of Man the applications that 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 that has been undertaken in relation to the Loans and the Properties is referred to below (see "The Loans, the Mortgages and the Related Security") and was undertaken in the context of and at the time of the origination of each particular loan by either MSDWMCI or, as the case may be, MSDW Bank. Additional priority Land Registry or Registers of Scotland searches will be undertaken in respect of the English, Scottish, Irish and Northern Irish 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 Mortgage Sale Agreement referred to below.

Forfeiture on Insolvency

Part of one Property comprising a garage servicing the Property is held under a lease where the landlord has the right to forfeit on insolvency of the tenant. In the circumstances, however, relief from any such forfeiture would almost certainly be granted to a Mortgagee.

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, Mortgages and Related Security current from time to time. See "Servicing". The principal remedies available following a default under a Loan, Mortgage 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 residential or 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 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 Trustee, the Servicer or the Special Servicer on behalf of the Security Trustee and/or the Trustee, unduly directs or interferes with and influences the receiver's actions, a court may decide that the receiver is the Security Trustee's or the Trustee's agent and that the Security Trustee or the Trustee, as the case may be, should be responsible for the receiver's acts.

The Law of Property Act 1925 does not apply in Ireland, Northern Ireland, the Isle of Man or Scotland and, therefore, "Law of Property Act" receivership does not exist in those jurisdictions.

In Ireland, a receiver is appointed under the Conveyancing Acts, 1881 and 1911. The agency laws relating to such receiver are broadly analogous to those in England and Wales as outlined above.

In Northern Ireland, the Conveyancing and Law of Property Act 1881 contains equivalent provisions relating to property receivers and a receiver can be appointed in respect of property in Northern Ireland without the appointment of an administrative receiver or the lender entering into possession of the relevant property. Following the appointment of a property receiver, the agency laws relating to that receiver are broadly analogous to those in England and Wales as outlined above.

In Scotland, the Servicer would appoint the receiver pursuant to a floating charge contained in the relevant Related Security. The appointment of a receiver in this context is intended to provide the Security Trustee with remedies which are in addition to existing Scottish statutory rights of enforcement in respect of the Scottish Mortgages (see also "The Loans, the Mortgages and the Related Security, Scottish Mortgages" below). The receiver would conduct himself in a manner broadly analogous to an administrative receiver appointed under a debenture granted by a company incorporated in England and Wales in relation to property situated in England and Wales.

In the Isle of Man, a mortgagee would not normally take possession but would either appoint a Receiver under contractual powers or enforce the security through the courts by a process culminating in the sale of the Property by a court official by auction without reserve.

The Trustee has absolute discretion to serve a written notice on the Servicer (or the Special Servicer) requiring the Servicer (or the Special Servicer, as the case may be) from the date of the notice to obtain the Trustee's prior written consent before agreeing to any indemnity from the Security Trustee and/or the Trustee in favour of a receiver appointed in respect of a Property.

The Law of Property Act 1925 does not apply to the Isle of Man and there is no equivalent legislation. A receiver could be appointed under the contractual powers contained in the Mortgages of the Isle of Man situated properties and, again, subject to those contractual powers, would conduct himself in a manner broadly analogous to an administrative receiver appointed under a debenture granted by a company incorporated in England and Wales in respect of English or Welsh situated property.

Preferred creditors under Irish law

The Irish Revenue Commissioners may attach any debt due to an Irish tax resident individual from another person in order to discharge any liabilities of that individual in respect of outstanding tax whether the liabilities are due on his/her own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts but it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of an Irish tax resident individual which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

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".

Withholding tax under the Notes

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

Introduction of the euro

If at any time there is a change of currency in the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Notes outstanding at the time of such change and which are expressed in sterling 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 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 5.

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, Irish law, Northern Irish law, Scots law, Isle of Man law and New York law 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, Irish law, Northern Irish law, Scots law, Isle of Man 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.

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 plus a margin (see Condition 5) and under the Dutch Loans, payments are to be made in euro while payments will be made in respect of the Notes in sterling. In order to address interest rate risk or the currency risk, the Issuer will enter into the Swap Transactions pursuant to the Swap Agreement. However, there can be no assurance that the Swap Transactions 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 Loan, one or more of the Swap Transactions 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. Any 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, in certain cases, 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

The Issuer, European Loan Conduit No. 3 plc, was incorporated in England and Wales on 21st June, 2000 (registered number 4021842) 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 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 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 and in the Trust Deed.

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, whose business address is Blackwell House, Guildhall Yard, London EC2V 5AE. The directors of SFM Directors Limited, SFM Corporate Services Limited and SFM Directors (No. 2) Limited 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 Statement

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 share capital (1 share of which is fully paid) in the Issuer is held by European Loan Conduit Holdings Limited, a company incorporated in England and Wales on 20th June 2000 (registered number 4021014) having its registered office at Blackwell House, Guildhall Yard, London EC2V 5AE.

The remaining one share (which is fully paid) in the Issuer and the total issued share capital of European Loan Conduit Holdings Limited (being 1 share £1 of which is fully paid) is held by SFM Corporate Services Limited as trustee of the European Loan Conduit Securitisation Trust pursuant to a charitable declaration of trust to be dated the Closing Date.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2009	£197,300,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2009	£17,821,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2009	£15,275,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2009	£15,911,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2009	£8,274,000
Total Loan Capital	£254,581,000

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. Accountant's 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. 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, 2001.

KPMG Audit Plc

The Directors
European Loan Conduit No. 3 plc
Blackwell House
Guildhall Yard
London
EC2V 5AE

The Directors
Morgan Stanley & Co. International Limited
Trading as Morgan Stanley Dean Witter
25 Cabot Square
Canary Wharf
London E14 4QA

11th July 2000

Dear Sirs

European Loan Conduit No.3 plc (the "Company")
Multi-class commercial mortgage backed floating rate notes due 2009 (the "Notes")

Basis of preparation

The financial information set out in paragraphs 1 and 2 is based on the financial statements of the Company for the period 21st June 2000 to 11 July 2000 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company.

The Company is responsible for the contents of the Offering Circular dated 11th July 2000 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 as at the date stated.

1 **Balance sheet**

Balance sheet as at	**11th July 2000**
	£
Current assets	
Cash at bank and in hand	12501.50
Capital reserves	
Called up equity share capital	12501.50

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 UK.

2.2 *Trading activity*

The Company has not traded during the period from incorporation on 21st June 2000 to 11th July 2000, nor did it receive any income, incur any expenses or pay any dividends. Nor did it employ any person(s). Consequently, no profit and loss account has been prepared.

2.3 *Share capital*

The Company was incorporated on 21st June 2000.

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

On 21 June 2000, 49,998 ordinary shares of £1 each were issued to European Loan Conduit Holdings Limited and partially called up for cash consideration of £12,499.50. 1 share of £1 was issued fully paid to European Loan Conduit Holdings Limited on 21 June 2000 and 1 share of £1 issued fully paid to SFM Corporate Service Limited on 21 June 2000.

2.4 KPMG Audit Plc were appointed as auditors on 5th July 2000.

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.

Morgan Stanley Dean Witter Mortgage Capital Inc.

Morgan Stanley Dean Witter Mortgage Capital Inc. ("**MSDWMCI**") is a subsidiary of Morgan Stanley Dean Witter & Co. ("**MSDW**") and was formed as a New York corporation to originate and acquire loans secured by mortgages on commercial and multifamily real estate. Each of the MSDWMCI loans was originated by one of the participants in the MSDWMCI commercial mortgage loan conduit programme or was originated directly by MSDWMCI. The principal offices of MSDWMCI are located at 1585 Broadway, New York, New York 10036.

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. The consolidated accounts of MSDW are available on request.

Liquidity Facility Provider

Lloyds TSB Bank plc ("**LTSB**" or the "**Liquidity Facility Provider**"), acting through its Corporate and Institutional Financial Services Division located at St. George's House, 6-8 Eastcheap, London EC3M 1AE, will act as the Liquidity Facility Provider under the Liquidity Facility Agreement and is regulated by the Personal Investment Authority and IMRO.

Trustee

Chase Manhattan Trustees Limited is a company incorporated in England and Wales and has its registered office at Trinity Tower, 9 Thomas More Street, London E1W 1YT. It will be appointed as Trustee pursuant to the Trust Deed to represent the interests of the Noteholders. The Trustee will hold, for the benefit of, inter alios, the Noteholders, the security granted by the Issuer pursuant to the Deed of Charge and Assignment.

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 Accounts, Swap Collateral Cash Account and Swap Collateral Custody Account (each as defined below). It will be appointed as Paying Agent under the Agency Agreement.

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

AIB International Financial Services Ltd 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 Depositary Agreement and Registrar under the Agency Agreement.

Corporate Services Provider

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

THE PRINCIPAL BORROWERS

The following loans each count for more than 10 percent of the Loan and Mortgage Pool (calculated by reference to the principal balance of the Loans and Mortgage Pool as of the Cut-Off Date):

(a) the loan made to the First Principal Borrowers, Four Seasons Properties (Care Homes) Limited (of £65,600,000) and Four Seasons Properties (Specialist) Limited (of £18,400,000); and

(b) the loan made to the Second Principal Borrower, Orb (Lexham) Limited.

Details of the Principal Borrowers and the relevant Loans, Mortgages and Related Security (which are available from and are based solely on information made available by the Principal Borrowers and/or from the terms of the Loans, Mortgages and Related Security) are set out in Appendix 1.

THE DUTCH LOANS

Three of the Loans (the "**Dutch Loans**") have been made available to three Borrowers incorporated in the Netherlands (the "**Dutch Borrowers**"). The Dutch Borrowers represent 18 per cent. of the Loan and Mortgage Pool. Each of the Dutch Loans is denominated in euro. Each of the Dutch Borrowers has, in turn, lent all (subject to rounding) of the monies borrowed under the Dutch Loans to certain individuals trading in partnership who own and invest in property situate in Ireland (the Irish Borrowers). Details of the Dutch Loans and the Loans made by the Dutch Borrowers to the Irish Borrowers are set out in Appendix 2.

THE LOANS, THE MORTGAGES AND THE RELATED SECURITY

1. Origination of the Loans

The loan and mortgage pool consists of 16 Loans (with the Loans to the First Principal Borrowers being treated as one) secured over residential and commercial properties as described below (the "**Loan and Mortgage Pool**"). The decision to advance a loan (subject to obtaining satisfactory legal due diligence) is based on compliance with MSDW Bank's lending criteria as described below (the "**Lending Criteria**"). All of the Loans, Mortgages and Related Security contained in the Loan and Mortgage Pool were originated by MSDWMCI (and subsequently novated to MSDW Bank) or MSDW Bank between April, 1999 and June, 2000. There is no right on the part of the Issuer to substitute Loans in the Loan and Mortgage Pool. However, certain Borrowers have the right to substitute a limited number of Properties with other properties in accordance with the terms set out in the relevant Loan and Mortgage documentation. See "Disposal and Substitution of Properties", below.

The Lending Criteria and procedures adopted by MSDWMCI (in relation to those Loans novated to MSDW Bank) and the Lending Criteria and procedures adopted by MSDW Bank are identical. For the purpose of this section reference is made to MSDW Bank only. However, references to MSDW Bank should be taken to include reference to MSDWMCI (in relation to those Loans originated by MSDWMCI).

2. Lending Criteria

(A) Lending Philosophy

MSDW Bank's credit policy is to underwrite commercial and residential property loans based on an analysis of the contractual cashflows, occupational tenant covenants and lease terms and the overall quality of the real estate. Risk is assessed by stressing the cashflows derived from underlying tenants and the risks associated with refinancing the amount due upon maturity of the loan. The plans and strategy for the relevant Property, as well as the property investment experience and expertise of the relevant Borrower's sponsors, are also factors to be taken into consideration.

(B) Types of Borrower/Mortgagor

Borrowers/Mortgagors are all special purpose companies sponsored by experienced property investors. A Borrower/Mortgagor may be incorporated and/or resident in the United Kingdom or in an overseas jurisdiction. Typical terms of the facilities made available to Borrowers are described in "Terms of the Loans" below.

All of the Borrowers/Mortgagors were incorporated for the purposes of acquiring the Property owned by them or, in the case of the Dutch Borrowers, the security interest in the Properties owned by the Irish Borrowers. In three cases, the Borrower/Mortgagors also acquired other properties which have since been sold. In all cases MSDW Bank is satisfied that the Borrower/Mortgagor has no material assets or liabilities save in relation to the Property for which the relative Loan is security.

(C) Security

MSDW Bank's principal security will be a first ranking charge by way of legal mortgage or sub-mortgage over freehold or long leasehold land and buildings (or a first-ranking standard security over heritable or long leasehold property in Scotland) which are the subject matter of the relevant Loan, and a floating charge over the Borrower's other assets, all held by the Security Trustee for MSDW Bank. The typical security created by Borrowers is described in "Terms of the Debenture" below.

(D) Advance Level

MSDW Bank normally advances new loans having a principal amount of between £0.5 million and £500 million and to a maximum of 85 per cent. of the valuation of the underlying properties.

(E) Purpose of the Loan

The purpose of the loan will normally be to assist in the acquisition or re-financing of residential and commercial real estate.

(F) Repayment Terms

The term of the loan may be between one and 30 years, although the majority of loans originated by MSDW Bank have a term of between five and ten years. Loans may be interest only or have defined principal repayment schedules. The principal repayment schedule is structured to take account of the cashflow pattern of the leases in effect at the date of commencement of the loan and the anticipated realisable value of the security at its maturity.

(G) Enforcement

MSDW Bank's enforcement policy is to seek to secure cashflow from security as quickly as is prudent in the event that an event of default under a mortgage has occurred.

3. Legal Due Diligence

Following the approval in principle of a loan facility certain legal due diligence procedures are followed before a loan is advanced. Details of these procedures are set out below.

(A) General Information

MSDW Bank's external English legal advisers in relation to the origination of Loans relating to Property situated in England and Wales are Messrs. Denton Wilde Sapte (**"Denton Wilde Sapte"**). Denton Wilde Sapte initially obtain (and, where reasonably possible, check) general information relating to a proposed facility including details of a Borrower's shareholders; any borrowings that it has entered into; the accounts to be operated in connection with the proposed facility; any managing agents appointed (or to be appointed) in connection with the collection of rents and/or management of the Property; and insurance of the Property.

(B) Property Title Investigation

An important part of the legal due diligence process is to verify that the prospective Borrower/ Mortgagor has or, if the Property is being purchased, will have, good title to the Property to be charged, free from any encumbrances or other matters which would be considered to be of a material adverse nature. The process of title verification is slightly different depending upon whether a report on title is prepared and issued in favour of MSDW Bank by the Borrower's solicitors or whether the title investigation is undertaken by Denton Wilde Sapte and a report is issued by them.

(a) *Report on title prepared by Borrower's solicitors:*

If a report is prepared by the Borrower's solicitors, Denton Wilde Sapte will check the identity of the solicitors and satisfy themselves on behalf of MSDW Bank that they are of sufficient standing and competence to deliver a report on title in respect of the relevant Property.

Denton Wilde Sapte review the draft form of report to ensure that it covers all relevant matters (i.e. the matters that Denton Wilde Sapte would expect to cover in a report - see "Report on title from Denton Wilde Sapte" below). Once the draft report has been issued, they will raise requisitions in case of omissions, ambiguities or material disclosures in the report and satisfy themselves in relation to any issues arising from the report.

Denton Wilde Sapte then prepare a summary report for MSDW Bank, confirming (if appropriate) approval of the form and content of the report on title and highlighting any matters contained in the report which Denton Wilde Sapte consider should be drawn to the attention of MSDW Bank and its valuers.

(b) ***Report on title from Denton Wilde Sapte***

Denton Wilde Sapte undertake the usual investigation of title in relation to the relevant Property which will include reviewing copies of title documents and Land Registry entries (including any lease under which the property is held). All the usual Land Registry, local authority and any other appropriate searches will be undertaken and preliminary enquiries will be raised of the Borrower's solicitors. Where the property is being acquired by the Borrower, a review of the replies of enquiries raised by the Borrower's solicitors will be undertaken. The terms of all leases and tenancies affecting the Property will be reviewed and the basic terms (including, inter alia, details of rent reviews and tenants' determination rights) will be included in the report.

Where a Borrower is in the course of acquiring a Property that is to be charged then the purchase contract and the form of transfer of the relevant Property will be reviewed and approved.

The report that Denton Wilde Sapte prepare will highlight any material or unusual matters but otherwise confirm (if correct) that, in their opinion, the prospective Borrower has (or would have on completion of any purchase and necessary registration) good title to the Property. The report will not normally cover matters relating to the structure or construction of the relevant Property, specific environmental surveys or enquiries, or any credit checks on the borrower or occupational tenants.

Denton Wilde Sapte ensure that the valuers providing the valuation of a Property have a copy of the report, and they cross check and verify basic details relating to the Property (namely tenure and term and rents for any occupational tenancies) set out in any valuation received by them.

Whether a report on title is prepared by the Borrower's solicitors or by Denton Wilde Sapte, in relation to Properties located in Northern Ireland, the Isle of Man, Ireland or Scotland, MSDW Bank appoints lawyers in the relevant jurisdictions to undertake a due diligence process analogous to that which Denton Wilde Sapte undertakes in relation to Properties located in England and Wales.

(C) Capacity of Borrower/Mortgagor

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

In relation to any Borrower or Mortgagor incorporated outside England and Wales, lawyers competent in the jurisdiction where the company is incorporated (and also, if different, the jurisdiction where the relevant Property is situated) are appointed to undertake a similar process to that undertaken by Denton Wilde Sapte. The foreign lawyers are required to deliver an appropriate legal opinion confirming, inter alia, that the choice of English law or in the case of the Dutch Loans, Irish law to govern the documentation will be recognised and upheld.

(D) Reliance on Legal Due Diligence

The legal due diligence referred to above is in each case addressed to MSDW Bank; it will not be updated prior to the sale of the Loans and Related Security to the Issuer, nor will it be re-addressed either to the Issuer or the Trustee. The Issuer will instead rely solely on the Representations and Warranties of MSDW Bank contained in the Mortgage Sale Agreement (see "Acquisition - Mortgage Sale Agreement" below) and will assign its rights under that agreement to the Trustee.

4. Drawdown and Post-Completion Formalities

Denton Wilde Sapte ensure that all necessary English registration formalities and the service of notices are dealt with at drawdown or, as appropriate, within any applicable priority or other time periods following drawdown. In relation to other jurisdictions, appropriate undertakings are obtained from the relevant lawyers to attend to such matters in the same manner.

In relation to registrations at H.M. Land Registry, Denton Wilde Sapte either undertake these or obtain an unconditional undertaking from the Borrower's Mortgagor's solicitors to effect the registrations and forward the relevant charge certificate when the registration has been completed (and, in the meantime, to hold the deeds to the order of Denton Wilde Sapte on behalf of the Security Trustee). Where any Borrower's/Mortgagor's Solicitors ask to retain any occupational leases in order to deal with day to day management matters, they are permitted to do so subject to providing an unconditional undertaking to hold them to Denton Wilde Sapte's order and to deliver them on demand.

In relation to Properties located in Northern Ireland, the Isle of Man, Ireland or Scotland, MSDW Bank appoints lawyers in the relevant jurisdictions to undertake a process analogous to that which Denton Wilde Sapte undertakes in relation to Properties located in England and Wales.

5. Information on the Loans and the Mortgages

The typical loan and security package in relation to a loan comprises a credit agreement; a debenture(s) from the Borrower/Mortgagor company (incorporating a first legal charge or sub-charge over the relevant property; first fixed charge over the "Rent Account" and other accounts; and fixed and floating charges over all the Borrower's/Mortgagor's assets); and a charge over the shares in the Borrower (waived in certain cases).

If the Borrower is indebted to any other entity, a subordination agreement will be required. Where managing agents are employed, a duty of care undertaking in favour of the Security Trustee is obtained from them (relating to rent collection and property management).

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

The Loans all have original maturities of between two and seven years. No Loan is scheduled to be repaid later than 18th July, 2007.

All of the Loans are secured by one or more first fixed charges by way of legal mortgage (or equivalent in jurisdictions outside England and Wales) over freehold or long leasehold commercial or residential property. All of the Loans, when originated, met the Lending Criteria in all material respects save for certain variations or waivers of the criteria as would have been acceptable to a reasonably prudent lender, and MSDW Bank will provide a warranty to this effect on the Closing Date.

Interest is payable in relation to all of the Loans is at a fixed rate and accrues daily and is payable quarterly in arrear. The interest rate is notified to the relevant Borrower by MSDW Bank prior to making the Loan. Voluntary prepayment in full or in part of the Loans is only permitted on a scheduled loan payment date or, except in the case of the Dutch Loans, subject to the payment of a Prepayment Fee, and of any breakage cost on not less than 30 days' prior notice to MSDW Bank.

All Property is let to third party tenants. 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".

6. Terms of the Loans

Each of the Loans is documented in a facility agreement (the "**Credit Agreement**") which is governed by English or Irish law. The Credit Agreement contains the types of representations and warranties and undertakings on the part of the Borrower that a reasonably prudent lender would usually require. MSDW Bank is entitled to assign to the Issuer any of its rights under the Credit Agreement without restriction.

A summary of the principal terms of the standard form Credit Agreement is set out below. Material amendments to the standard form are not generally accepted unless they are necessary to reflect the terms and conditions of the particular loan.

(A) Loan Amount and Drawdown and Further Advances

The maximum amount of a loan is calculated by reference to the lower of a pre-agreed percentage (usually between 70 per cent. and 80 per cent.) of the value of the Property to be charged to the Security Trustee for MSDW Bank as security (calculated by reference to the relevant Condition Precedent Valuation).

None of the Loans places an obligation on MSDW Bank, and therefore, the Issuer to make any further advance to a Borrower and, following the sale to the Issuer of the Loans and transfer of the beneficial interests in the Security Trusts over the Mortgages and the Related Security, the Servicer will not be permitted under the terms of the Servicing Agreement to make any further advances to Borrowers on behalf of the Issuer.

(B) Conditions Precedent

The Conditions Precedent to a drawdown will vary depending upon the terms of the facility and nature of the security to be created. However, certain documents (duly executed) are normally required in all cases such as the Borrower's statutes of incorporation and appropriate board minutes; a Valuation in respect of the Property being financed (and as appropriate structural surveys and/or environmental reports); evidence of insurance cover in respect of the Property; a report on title in respect of the Property; security documents (including those documents referred to above); all appropriate UK and other tax clearances and relevant legal opinions; and notices in connection with the assignment of rental income and charging of bank accounts.

(C) Interest and Amortisation Payments/Repayments

Interest is paid quarterly in arrear on the designated Interest Payment Dates and amortisation payments are also made on Interest Payment Dates in accordance with a pre-determined Schedule.

A Borrower typically has the right to pre-pay the whole or any part of its Loan upon notice (usually thirty days) being given, subject to payment of any breakage cost and to payment of the then applicable prepayment fee.

On each Interest Payment Date, moneys are debited from the Rent Account to discharge any interest and/or principal payments due under the Credit Agreement. Subject to there being no Event of Default and the Interest Cover Percentages being at or above a prescribed level (usually 125 per cent. but 115 per cent. for two of the Dutch Loans and 120 per cent. for one of the Dutch Loans of the interest payable pursuant to the relevant Credit Agreement in respect of the relevant period(s)), any surplus moneys standing to the credit of the Rent Account on the relevant Interest Payment Date are paid to the relevant Borrower.

(D) Rent Account

Rental Income from a Property is paid into a Rent Account which is charged in favour of MSDW Bank. See "Risk Factors", "The Issuer's ability to meet its obligations under the Notes – the tenants".

(E) Representations and Warranties

The "standard" representations and warranties given by a Borrower typically include a representation to the usual effect that the Borrower is validly incorporated and has the power, capacity and authority to own its assets, to carry on its business and enter into the loan and security documentation.

The Borrower also warrants that no Event of Default or potential Event of Default under the Credit Agreement and Security Documents will occur as a result of the loan being made and that it is not in default under any other document to an extent which would be material; that there is no current material litigation or other legal proceedings against the Borrower; and that the information supplied to MSDW Bank (and any valuers) is true, complete and accurate.

(F) Undertakings

The Borrower gives various undertakings which take effect so long as any amount is outstanding under the relevant Loan.

The undertakings relate, inter alia, to the provision of financial information on an ongoing basis; an obligation to supply MSDW Bank with details of shareholder documentation; absence of any material litigation; any potential Event of Default; not to permit or allow any charge to arise over any of its assets and not (without MSDW Bank's consent) to sell, transfer, lease or otherwise dispose of all or a substantial part of its assets.

The Borrower undertakes to insure all relevant Properties in the full reinstatement value (on terms acceptable to MSDW Bank) and within 10 days after each Interest Payment Date, to supply a certificate setting out certain rental and tenancy information relating to each Property.

With regard to Interest Cover Percentages the Borrower undertakes that so long as they remain less than a certain designated figure (usually 125 per cent., but for three of the Loans, 115 per cent. and for one of the Loans 120 per cent., of the interest payable pursuant to the relevant Credit Agreement in respect of the relevant period(s)) not to declare any dividend, issue further shares, repay any principal or pay interest on any other borrowings or repay or redeem any share capital. The Borrower undertakes in any event to ensure that the Interest Cover Percentages always exceed a certain prescribed figure (usually 110 per cent.) of the interest payable pursuant to the relevant Credit Agreement in respect of the relevant period(s).

(G) Events of Default

The Credit Agreement contains usual Events of Default entitling MSDW Bank to terminate the Loan and/or enforce its security, typically including non-payment of amounts due; breach of the Borrower's other obligations under the Credit Agreement and Security Documents; misrepresentation; and the usual acts of insolvency.

In relation to non-payment and breaches of other obligations grace periods are sometimes agreed but in no instance for periods longer than 2 days or 7 days respectively. For the Dutch Loans, creditors' orders can stay in place for up to 14 days.

7. Terms of the Debenture

The standard form of Debenture secures all obligations of the Borrower to MSDW Bank pursuant to the Credit Agreement and is drafted on a security trust basis, so that the Security Trustee holds the security created pursuant to the Debenture on trust for MSDW Bank. The company providing the security is referred to below as the "**Chargor**".

(A) Creation of Security

The standard form Debenture grants a first ranking charge or sub-charge by way of legal mortgage over the Property and an equitable charge over any other property, plant and machinery. It grants a first fixed charge over the Rent Account and any other account opened in connection with the Facility over the benefit of any insurance policy relating to the Property; over book and other debts and over the goodwill and uncalled capital of the Chargor.

It grants security over rights in respect of any agreement to purchase the property; a charge over the benefit of any hedging arrangements (subject to netting and set-off provisions contained therein); and a general floating charge over all other assets.

(B) Representations and Warranties

The Chargor typically makes the usual representations and warranties (on the date the Debenture is entered into, the date of any drawdown notice and on each Interest Payment Date) including to the effect that it is the legal and beneficial owner of the Property; that there is no breach of any matter that might

materially affect the value of the Property; nor any facility or right required for the necessary use and enjoyment of the Property that is liable to be terminated; and that the Property is in good and substantial repair and complies with all provisions of any applicable environmental law.

The representations and warranties referred to above are qualified (to the extent applicable) by the report on title in relation to the relevant Property.

(C) Undertakings

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

(D) Enforceability

The security created by the Debenture is expressed (in the usual manner) to be enforceable immediately upon its execution, but this is qualified by the provisions of the Credit Agreement which provides that the Debenture may only be enforced once an Event of Default has occurred. The charge confers upon the Security Trustee and any Receiver appointed by it a wide range of powers in connection with the sale or disposal of the property and its management, and each of them is granted a power of attorney on behalf of the Chargor in connection with the enforcement of its security.

8. Scottish, Irish, Northern Irish and Isle of Man Mortgages

(A) Scottish Mortgages

One of the Loans is partially secured over Scottish Properties by way of first-ranking standard security (the "**Scottish Mortgages**"), which is the only means of creating a fixed charge or security over heritable or long leasehold property in Scotland. In relation to the Scottish Mortgages, references herein to a "**mortgage**", a "**mortgagor**" and a "**mortgagee**" (or the "**legal owner**" of a Mortgage) are to be read as references to such a standard security, the grantor thereof and the heritable creditor thereunder respectively.

A statutory set of "Standard Conditions" is automatically imported into all standard securities, including the Scottish Mortgages. However, the majority of these Standard Conditions may be varied by agreement between the parties. The Standard Conditions as varied will therefore form part of the mortgage conditions relating to any Scottish Mortgage.

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement. Generally, where a breach by a borrower entitles the lender to enforce the security an appropriate statutory notice must first be served. First, the lender may serve a "calling-up notice" requiring repayment, in which case the borrower has two months to comply with the notice and in default the lender may enforce its rights under the standard security by sale, entry into possession or the other remedies provided by statute. A court application for possession is only necessary if the borrower fails to vacate the property. Alternatively, in the case of remediable breaches, the lender may serve a "notice of default", in which case the borrower has only one month in which to comply with the notice, but also has the right to object to the notice by court application within 14 days of the date of service. In addition, the lender may in certain circumstances make a direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement therefore depend on the circumstances of each case, and the Servicer (where appropriate, at the direction of the Trustee) will in practice proceed with the remedy most likely to be effective in enforcing or protecting the security.

(B) Irish Mortgages

The Dutch Loans are secured or partially security over Irish Properties by way of first-ranking charges and sub charge.

A charge confers rights on the chargee in respect of the property pursuant to the provisions of the Registration of Title Act 1964.

The provisions of the Conveyancing Acts 1881 and 1911 apply to charges. Upon breach of a charge, the lender is entitled to apply to the High Court of Ireland for an order for possession of the property and to appoint a receiver.

Charges are granted by the chargor "as beneficial owner" and "registered owner" (or "person entitled to be registered as owner") and not "with full title guarantee" as in the English mortgages. However, the covenants implied are essentially the same.

Charges and sub-charges are registrable in the Land Registry of Ireland. Priority is established by reference to the order in which charges have been registered (subject to any agreement on priorities between secured creditors).

(C) Northern Irish Mortgages

Certain of the Loans are secured or partially secured over Northern Irish Properties either by way of first-ranking mortgage and sub-mortgage or by way of first-ranking charge and sub-charge.

A mortgage under Northern Irish law represents a demise of the property by the mortgagor to the mortgagee for a term of years, subject to the equity of redemption. If the title to the property is freehold, the term is ten thousand years; if the title to the property is leasehold, the term is the unexpired term of the lease. A charge confers rights on the chargee in respect of the property pursuant to the provisions of the Land Registration Act (Northern Ireland) 1970 ("**1970 Act**") (as amended).

The provisions of the Conveyancing Acts 1881 and 1911 apply to mortgages and charges. Upon breach of a mortgage or charge, the lender is entitled to apply to the High Court of Northern Ireland for an order for possession of the property and to appoint a receiver.

Mortgages are granted by the mortgagor "as beneficial owner" and not "with full title guarantee" as in the English mortgages. However, the covenants implied are essentially the same.

Mortgages and sub-mortgages are registrable in the Registry of Deeds, Belfast. Charges and sub-charges are registrable in the Land Registry of Northern Ireland. Priority is established by reference to the order in which mortgages or charges have been registered (subject to any agreement on priorities between secured creditors).

(D) Isle of Man Mortgages

One of the Loans is partially secured over Isle of Man situated properties by way of first-ranking legal mortgages in Isle of Man form ("Conditional Bonds and Security").

These comprise (1) a promise to repay and (2) a conveyance of the mortgaged property "in security" whilst liabilities of the Borrower remain outstanding. Once there are no outstanding liabilities the mortgage is cancelled by deed executed by the lender. Re-conveyance is not required.

In the event of breach, in addition to the exercise of such powers (for example, appointing a receiver) as the mortgage itself may contain and confer on the lender, the lender may sue the borrower upon the promise to repay. Any judgment obtained is put in the hands of a Court Official (the "Coroner") who "arrests" the mortgaged property and sells it by public auction without reserve.

Conditional Bonds and Security are recordable in the Isle of Man Registry of Deeds and priority is established by the time of delivery of the deed for recording. All such delivery for recording must be made personally and cannot be effected by post.

9. The Related Security

In addition to the Debenture, the Borrowers enter into and grant various further related security as referred to above (see "Information on the Loans and Mortgages" above)

The charge over shares in the Borrower (the '**Share Charge**") creates a first fixed charge over all shares legally or beneficially owned by the Mortgagor in the Borrower and all associated rights.

The Chargor gives the usual representations as to, inter alia, its incorporation and authority to enter into the Share Charge and also undertakes in the usual manner, inter alia, not to charge further, sell, transfer or otherwise dispose of the shares.

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

Managing agents of property, pursuant to a duty of care agreement undertake to collect the Rental Income and to pay the net amount into the Rent Account (without set-off or counterclaim) when received and to notify MSDW Bank of any material breach or default on the part of a tenant or occupier of the Property, or any damage to the Property.

10. Acquisition

Mortgage Sale Agreement

Consideration

Pursuant to the Mortgage Sale Agreement, 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 interests in the Security Trusts created over the Mortgages and Related Security on the Closing Date. The initial purchase consideration in respect of the Loans and the beneficial interests in the Security Trusts will be £254,580,981, a sum equivalent to the outstanding principal amount of the Loans on the Cut-Off Date, 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, Mortgages 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) the Prepayment Amount received during that Collection Period, plus (b) the Available Interest Receipts less an amount equal to the sum of the payments scheduled to be paid on such Interest Payment Date pursuant to items (i) through (x) set out in "Summary – Available Funds and their Priority of Application – Payments out of the Transaction Accounts prior to Enforcement of the Notes - Available Interest Receipts" above, other than any amounts payable on such Interest Payment Date in respect of Interest Drawings and interest on Interest Drawings and Principal Drawings made by the Issuer under the Liquidity Facility Agreement (and save that, for the purposes of this determination, the amount of Deferred Consideration calculated to be payable out of the Available Interest Receipts *pari passu* with Class A Notes will not be taken into account), plus (c) the Available Principal less an amount equal to the sum of all payments scheduled to be paid pursuant to items (i) through (vi) as set out in "Summary – Available Funds and their Priority of Application – Payments out of the Transaction Accounts prior to Enforcement of the Notes - Available Principal" less (d) an amount equal to 0.01 per cent. of the Borrower Interest Receipts transferred by the Servicer into the Transaction Accounts 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 Prepayment Fees, if any, will be payable to MSDW Bank or the person or persons then entitled thereto. For avoidance of doubt, Prepayment Fees payable upon the sale of a Property following enforcement of the related Loan and Mortgage shall be applied as Prepayment 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

Within 15 Business Days of the Closing Date, written notice will be given to each Borrower and Mortgagor of the transfer of the Loans to the Issuer and written notice will be given 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 interest.

Representations and Warranties

Neither the Issuer nor the Trustee has made (or will make) any of the enquiries, searches or investigations which a prudent purchaser of the relevant security would normally make in relation to the Loans, Mortgages 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 with the Lending Criteria or procedures or their adequacy or in relation to the provisions of the Mortgage 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 Loan, Mortgage or the Related Security purchased on the Closing Date.

In relation to all of the foregoing matters concerning the Loans, the Mortgages and the Related Security and the circumstances in which advances were made to Borrowers prior to their purchase by 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 Mortgage Sale Agreement.

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

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

(a) each Property constitutes investment property let predominantly for office, industrial, retail, warehouse, residential, nursing homes, specialist care facilities, or car parking use and is either freehold, heritable or leasehold;

(b) in relation to each Mortgage (other than a Scottish Mortgage or an Irish Mortgage), the Mortgagor had, as at the date of that Mortgage, a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property and (i) is the legal and beneficial owner of the relevant Property or (ii) where legal and beneficial interests in the Property are split, is the legal owner of the Property and holds the beneficial interest on trust;

(c) in relation to each English Property and each Northern Irish Property, title to which is registered, the title has been registered at H.M. Land Registry or the Land Registry of Northern Ireland (as applicable) 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 or the Land Registry of Northern Ireland (as applicable) is pending, an application for registration with such title has been delivered to H.M. Land Registry or the Land Registry of Northern Ireland (as applicable) within (in relation to the English Properties only) the priority period conferred by an official search conducted against the relevant title at H.M. Land Registry before completion of the purchase of the Property and in relation to each of the Properties situated in the Isle of Man the deeds constituting the title have been recorded in the Deeds Registry of the Isle of Man;

(d) each English Property and each Northern Irish Property and each Property situated in the Isle of Man was, as at the date of the relevant Mortgage, held by the Mortgagor free (save for the Mortgage and its Related Security and save for any encumbrance which (i) is postponed to and ranks in priority behind the relevant Mortgage by virtue of a deed of priority or postponement which, in the case of registered land, has been registered, or is in the course of registration, at H.M. Land Registry or the Land Registry of Northern Ireland (as applicable) or (ii) as created, ranked in point of priority behind the Mortgage) 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 (j) below (including any encumbrance contained in the leases relevant to such Properties);

(e) in relation to each Irish Mortgage, the Irish Mortgagor had as at the date of that Mortgage, good and marketable freehold or long leasehold title in the relevant Irish Property and if the Irish Property is registered the title has been registered or is in the course of registration with absolute freehold title or with absolute or good leasehold title and each Irish Property was, as at the date of that Irish Mortgage, held by the Irish Mortgagor free (save for the Irish Mortgage and its Related Security and save for any encumbrance which was taken into account at the time the Loan was made) from any encumbrance which would materially and adversely affect such title or the value for mortgage purposes set out in the valuation referred to in paragraph (j) below (including any encumbrances contained in the leases relevant to such Properties);

(f) in relation to each Scottish Mortgage, the Mortgagor had, as at the date of that Scottish Mortgage, a valid and marketable prescriptive heritable or long lease title to the relevant Property duly registered or in the course of registration (without exclusion of indemnity) in the Land Register of Scotland or recorded or in the course of recording in the General Register of Sasines (together, the "**Registers of Scotland**") and each Scottish Property was, as at the date of the relevant Scottish Mortgage, held by the Mortgagor free (save for the Scottish Mortgage and its Related Security and save for any encumbrance which either (i) is postponed to and ranks in priority behind the Scottish Mortgage by virtue of a ranking agreement registered or recorded or in the course registration or recording in the Registers of Scotland or (ii) as created, ranked in point of priority behind the Scottish Mortgage) from any encumbrance which would materially and adversely affect such title or the value for mortgage purposes set out in the valuation referred to in paragraph (j) below (including any encumbrance contained in the leases relevant to such Scottish Properties);

(g) in relation to each Isle of Man Property, the Mortgagor had as at the date of the Mortgage good and marketable freehold title to the relevant Isle of Man property.

(h) in relation to any Mortgage where registration or recording is pending at H.M. Land Registry or the Registers of Scotland or the Land Registry of Northern Ireland or the Land Registry of Ireland or the Deeds Registry of the Isle of Man (as applicable), the Security Trustee for MSDW Bank took or is taking all reasonable steps to perfect its title to the Mortgage and has an absolute right to be registered or recorded as proprietor or registered owner of the Mortgage as first mortgagee or first chargee or first-ranking heritable creditor of the interest in the relevant Property which is subject to that Mortgage;

(i) in relation to each Loan, prior to making the initial advance, the Property charged as security therefor was valued for MSDW Bank or MSDWMCI, as the case may be, by a qualified

surveyor or valuer and the principal amount advanced under the relevant Loan did not at the date of the Loan exceed a certain proportion of the amount of each valuation (as set out in the relevant Condition Precedent Valuation), the highest such proportion in the Loan and Mortgage Pool being 80 per cent of the relevant valuation;

(j) (A) each Loan constitutes a valid and binding obligation of, and is enforceable against, the relevant Borrower; (B) subject only, in the case of Mortgages required to be registered or recorded at H.M. Land Registry, the Registers of Scotland or the Land Registry of Northern Ireland or the Land Registry of Ireland or the Deeds Registry of the Isle of Man (as applicable), to such registration or recording, each Mortgage is a valid and subsisting first charge by way of legal mortgage or standard security on the Property to which such Mortgage relates, (C) subject as set out in (B) above (and except in relation to the Scottish Mortgages), the Security Trustee for MSDW Bank has a good title to each Mortgage at law and all things necessary to complete the relevant Security Trustee's title to each Mortgage have been duly done at the appropriate time or are in the process of being done, (D) subject as set out in (B) above, in the case of each Scottish Mortgage, a Security Trustee for MSDW Bank has a valid title to each such Mortgage and all things necessary to complete the relevant Security Trustee's title as heritable creditor thereunder (including an application for registration or recording in the Registers of Scotland) have been duly done at the appropriate time or are in the process of being done without undue delay, (E) the relevant 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 of encumbrances or applications for adverse entries of encumbrances against any title at H.M. Land Registry or the Registers of Scotland or the Land Registry of Northern Ireland or the Land Registry of Ireland (as applicable) to any relevant Property which would rank in priority to the relevant Security Trustee's or MSDW Bank's interests therein; and (F) MSDW Bank is the legal and beneficial owner of each Loan free and clear of all incumbrances claims and equities.

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

(l) prior to completion of the relevant Loan and Mortgage, a report on title or certificate of title (addressed to MSDW Bank or MSDWMCI, as the case may be,) in relation to the relevant Property was obtained which initially or after further investigation disclosed nothing which would cause a reasonably prudent lender of money secured on residential and 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 a Loan or Mortgage which has not been remedied, cured or waived (but only in a case where a reasonably prudent lender of money secured on residential and commercial property would grant such a waiver) or of any outstanding material default, material breach or material violation by a Borrower or a Mortgagor under any Loan or Mortgage, as the case may be, or of any outstanding event which with the giving of notice or lapse of any grace period would constitute such a default, breach or violation;

(n) pursuant to the terms of each Loan, no Borrower 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, forfeiture or irritancy of any occupational leases between a Mortgagor landlord and a tenant in relation to the Properties or of the insolvency of any tenant which would render the relevant Property unacceptable as security for the advances accrued by the relevant Mortgage of that Property in the context of the Lending Criteria; and

(q) as at the Closing Date, to the best of MSDW Bank's knowledge:

(i) each Property is covered by a Buildings Insurance Policy maintained by the Mortgagor or another person with an interest in the relevant Property in an amount which is equal to or greater than the amount which a qualified surveyor or valuer engaged by MSDW Bank estimated to be equal to such Property's reinstatement value at the time of the original advance and MSDW Bank's interest has been noted or is in the course of being noted on each policy or otherwise included by the insurers under a "general interest noted" provision in the relevant policy; or

(ii) the relevant tenant of the Property is a Self-Insured Entity.

(r) MSDW Bank (or MSDWMCI in relation to that loans originated by it) have undertaken all due diligence that a prudent commercial lender would undertake to establish and confirm that each of the Borrowers and Mortgagors has not engaged since its formation or incorporation in any activity other than those incidental to its formation or incorporation entering into the relevant Loan and relevant Mortgage and 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 relevant Loan and relevant Properties providing security for such Loan.

(s) In relation to all Loans, Mortgages and Related Security originated by MSDWMCI or confirmations relating to MSDWMCI contained in the Mortgage Sale Agreement, MSDW Bank has received as at the date of completion of the novation of such loans to MSDW Bank warranties in the same terms from MSDWMCI as are set out above and contained in the Mortgage Sale Agreement.

(t) In the Credit Agreements between MSDWMCI and the First Principal Borrowers each dated 14th April 2000, the First Principal Borrowers have covenanted that they shall comply with all laws and regulations applicable to the conduct of their business including, as appropriate:

(a) in the case of a Property located in England and Wales, the Registered Homes Act 1984;

(b) in the case of a Property located in Scotland, the Nursing Homes Registration (Scotland) Act 1938 or the Social Work (Scotland) Act 1968 (as applicable);

(c) in the case of a Property located in Northern Ireland, the Registered Homes (Northern) Ireland) Order 1992; and

(d) in the case of a Property located in the Isle of Man, the Nursing and Residential Homes Act 1988.

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

The Mortgage Sale Agreement contains a warranty from MSDW Bank to the Issuer and the Trustee to the effect that the information in this Offering Circular with regard to the Loans, the Mortgages, the Related Security, the Properties and the buildings insurance policies which is material in the context of the issue and the offering of the Notes, is true and accurate in all material respects and is not misleading in any material respect. Only the Issuer and the Trustee may rely upon this warranty from MSDW Bank.

11. Disposal and Substitution of Properties

Disposal of Properties

Under the terms of the Loans, the relevant Borrower is permitted to dispose of Properties charged provided that the disposal does not trigger an event of default under the Loan and that various tests are satisfied, as follows:

(i) in some Loans (mainly those where there is more than one Property) the Borrower is entitled to dispose of a Property if the net disposal proceeds of such Property are 115 per cent. or more of the principal amount initially advanced by MSDW Bank in respect of that Property. If there is a shortfall, the Borrower will only be permitted to sell the Property if an amount equal to such shortfall is deposited with MSDW Bank;

(ii) in some Loans (mainly those with a single Property) disposals are only permitted with MSDW Bank's consent, although such consent shall be deemed to be given if the net disposals proceeds are sufficient to prepay the Loan and related expenses in full;

(iii) the Borrower shall ensure that the net disposal proceeds of any Property are immediately paid into a blocked sales account under which MSDW Bank has sole signing rights; and

(iv) MSDW Bank may authorise a withdrawal under the blocked sales account to make the necessary prepayment under the Loan following the sale of the Property.

Under the terms of some of the Loans, where disposals are permitted and the net sale proceeds are paid into a blocked sales account, the Borrower is permitted to request withdrawals of the amounts in the blocked sales account to purchase additional or substitute properties or to undertake capital expenditure, subject to there being:

(i) no subsisting default under the Loan; and

(ii) a certain interest cover percentage being maintained under the Loan.

Further details of the substitution provisions applicable to the First Principal Borrowers are set out in Appendix 1.

Substitution of Properties

The Borrower will require the consent of MSDW Bank to substitute a Property. The necessary consent may not be unreasonably withheld or delayed where the aggregate value of those Properties already released together with the value of the Property to be released (in each case calculated by reference to the relevant Condition Precedent Valuation) is below a certain percentage of the relevant Condition Precedent Valuation (which in most Loans is 15 per cent.) provided that, *inter alia*:

(i) the additional Property is similar in nature and quality in all material respects to the Property being released; and

(ii) the net rental income from the additional Property and the remaining properties is sufficient to enable the Borrower to meet its obligations under the Loan.

Any substitution above this percentage level is subject to the consent of MSDW Bank (in its sole discretion) and the approval of the Rating Agency.

Any substitution of a property is subject to, *inter alia*, a satisfactory report and valuation being prepared and the granting of satisfactory first ranking legal mortgages or standard securities in favour of the Security Trustee for MSDW Bank (and in favour of the Security Trustee holding the same on trust for the Issuer, whose beneficial interest will be charged to the Trustee, following the Closing Date).

THE STRUCTURE OF THE ACCOUNTS

1. The Rent Accounts

In accordance with the terms of each of the Credit Agreements, each of the Borrowers is required to establish or procure that there is established an account (a "**Rent Account**") into which the rents payable by the tenants occupying the relevant Property or Properties are to be paid. Each such Rent Account is expressed to be subject to a first fixed charge in favour of the Security Trustee on trust for MSDW Bank. The beneficial interests of MSDW Bank in such trusts will be assigned by MSDW Bank to the Issuer as part of the Related Security when the beneficial interest in the Related Security in relation to a Borrower is assigned. The Borrowers are required to make payments in arrear in respect of their Loans by one of the following methods:

(a) Where a managing agent has been appointed on behalf of a Borrower (each, a "**Managing Agent**"), the Managing Agent will collect all rent, service charges and VAT from tenants and promptly pay these (net of any ground rent, service charges and VAT) into a Rent Account in the name of the Borrower or Mortgagor. Each Borrower has agreed to ensure or to procure that any Managing Agent of a Property ensures that all net rental income is paid into the Rent Account, and the Issuer will have the benefit of a duty of care agreement from the Managing Agent under the terms of which the Managing Agent agrees to collect rent and to notify the Issuer of any tenant breach of covenant, any damage to the Property or the termination of its own appointment.

(b) Where no Managing Agent has been appointed on behalf of a Borrower, tenants will be required to pay rent directly to the Borrower's Rent Account.

(c) In the case of two of the Loans, rents payable by tenants occupying the relevant Properties are paid initially into a separate "collection" account which is not specifically charged. The Borrowers in the case of these Loans must transfer from this account into the Rent Account at least five Business Days prior to each Repayment Date sufficient to discharge the interest and any amortisation due as of such date. Each such Borrower has also deposited into a separate account charged in favour of the Security Trustee, (a "**Cash Collateral Account**"), as additional security, a sum equal to the aggregate of the maximum interest and amortisation payable by such Borrower as of any Loan Payment Date.

In each case, MSMS is and, following the sale of the Loans and assignment of the beneficial interest in the Security Trusts created over the Mortgages and Related Security to the Issuer, will remain the sole signatory on each Borrower's Rent Account. Under the Credit Agreements, MSMS, on behalf of the Issuer, will be entitled to withdraw on each Loan Payment Date all amounts due to the Issuer under the applicable Loan before other payments are released to the Borrower from the applicable Rent Account. Under the Servicing Agreement, the Servicer is required, following the Closing Date, to notify each of the Borrowers that MSDW Bank has assigned the relevant Loan to the Issuer.

The charges over the Rent Accounts and the Cash Collateral Accounts described above are expressed to be fixed charges but may take effect as floating charges. See "Risk Factors".

2. Borrower Blocked Accounts

In some cases, the Borrower is required to maintain a further blocked account into which specific payments are to be made and may only be released either to prepay the Loan or as otherwise agreed by MSDW Bank. In particular, where a Borrower is allowed to dispose of a Property, net sales proceeds may be required to be paid into such an account.

3. The Issuer's Accounts

The Transaction Accounts

Pursuant to the Cash Management Agreement, the Operating Bank will open and maintain two accounts in the name of the Issuer, one denominated in sterling, the other in euro, into which the Servicer will transfer all amounts of principal and interest paid by the Borrowers, and the Cash Manager will make all payments required to be made under the Cash Management Agreement ("**Transaction Accounts**").

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 the conditions to be specified in the Swap Agreement Credit Support Annex, 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 Annex.

The Swap Collateral Cash Account, the Swap Collateral Custody Account and the Transaction Accounts are together referred to as the "**Issuer's Accounts**".

The Standby-Account

Any Stand-by Drawing 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 Liquidity Facility Provider or, if the Liquidity Facility Provider ceases to have the Requisite Rating, the Operating Bank or, if the Operating Bank ceases to have the Requisite Rating, a bank which has the Requisite Rating.

THE LOAN AND MORTGAGE POOL

The aggregate of the principal balances within the Loan and Mortgage Pool, as at the Cut-Off Date, was £254,580,981. All of the Loans are current as of the Cut-Off Date.

The Loans had, at origination, a weighted average maturity of approximately 26 quarters (approximately 6.6 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 and Mortgage 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 19th June, 2000.

(b) "**Mortgage Rate**" means the contractual rate of interest that the Borrower is required to pay under the relevant Loan.

(c) "**Remaining Term to Maturity**" means the number of quarterly periods remaining to the maturity date of the Loan as of the Cut-Off Date.

(d) "**Last Payment DSCR**" means the Debt Service Coverage Ratio ("**DSCR**") calculated as at origination by reference to the last loan interest and principal payment date before the final payment of the balloon principal at the maturity date (rather than at the Cut-Off Date or any other date). This is because most of the Loans in the Loan and Mortgage Pool will not start to amortise within the first year and will start to amortise on different dates.

(e) "**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 Condition Precedent Valuation.

(f) "**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 Condition Precedent Valuation and the projected principal amount of the Loan outstanding as at the maturity date. The balloon payments are expected to be paid on the maturity date.

Because the calculation of the Last Payment DSCR is based on the amount of rent expected on the final payment date, it is important to take into account the method by which the rental cashflows are modelled. 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 either 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 vacant space is six months for most of the Loans.

(f) It is also assumed that the space is re-let for a term of five years and for a rent equal to the previous contractual rent (no increase in the rent has been assumed).

(g) When a space is originally vacant, it is assumed that such space remains always vacant.

(h) For the Dutch Loans denominated in euro, the exchange rate used in the following tables is 1 euro = £0.6321 as at 19th June, 2000.

Cut-Off Date Balances

Cut-Off Date Balances (£)		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount (£)	Percent by Aggregate Cut-Off Date Loan Amount (%)	Weighted Average Mortgage Rate (%)	Weighted Average Original Term to Maturity (qtrs)	Weighted Average Remaining Term to Maturity (qtrs)	Weighted Average Cut-off ICR (x)	Weighted Average Last Payment DSCR (x)	Weighted Average Cut-Off Date LTV (%)	Weighted Average Balloon LTV (%)
0.01	5,000,000	3	10,348,750	4.07	8.29	12.2	11.1	1.37	1.12	76.74	68.35
5,000,001	10,000,000	7	50,118,193	19.69	8.17	12.5	11.8	1.36	1.22	74.15	67.11
10,000,001	20,000,000	2	28,317,752	11.12	7.42	18.3	17.5	1.31	1.17	72.69	67.20
20,000,001	30,000,000	2	43,205,036	16.97	7.79	12.4	12.3	1.29	1.22	73.09	66.65
30,000,001	50,000,000	1	38,591,250	15.16	8.11	0.8	0.6	1.24	1.14	74.96	68.09
50,000,001	100,000,000	1	84,000,000	33.00	8.65	25.0	24.8	1.41	1.27	79.91	64.93
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		2,343,750									
Maximum		84,000,000									
Average		15,911,311									

Mortgage Rate

Mortgage Rate (%)		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount (£)	Percent by Aggregate Cut-Off Date Loan Amount (%)	Weighted Average Mortgage Rate (%)	Weighted Average Original Term to Maturity (qtrs)	Weighted Average Remaining Term to Maturity (qtrs)	Weighted Average Cut-off ICR (x)	Weighted Average Last Payment DSCR (x)	Weighted Average Cut-Off Date LTV (%)	Weighted Average Balloon LTV (%)
7.00	8.00	3	46,886,981	18.42	7.11	19.8	19.8	1.23	1.12	70.18	65.17
8.00	8.25	3	51,435000	20.20	8.10	2.6	2.0	1.28	1.16	73.94	67.65
8.25	8.50	8	65,784,000	25.84	8.35	11.4	10.9	1.32	1.23	77.63	69.24
8.50	8.75	2	90,475,000	35.54	8.64	23.5	23.1	1.45	1.29	78.82	64.59
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		7.050%									
Maximum		8.65%									
Weighted Average		8.18%									

Cut-Off Date Loan-to-Value Ratios

Cut-Off Date Loan-to-Value Ratios (%)		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount (£)	Percent by Aggregate Cut-Off Date Loan Amount (%)	Weighted Average Mortgage Rate (%)	Weighted Average Original Term to Maturity (qtrs)	Weighted Average Remaining Term to Maturity (qtrs)	Weighted Average Cut-off ICR (x)	Weighted Average Last Payment DSCR (x)	Weighted Average Cut-Off Date LTV (%)	Weighted Average Balloon LTV (%)
64.01	70.00	3	28,883,786	11.35	7.57	13.9	13.4	1.37	1.20	66.20	61.77
70.01	75.00	5	82,813,195	32.53	7.78	9.1	8.6	1.27	1.15	73.88	69.25
75.01	80.00	8	142,886,000	56.13	8.53	19.5	19.1	1.37	1.26	79.10	66.48
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		64.75%									
Maximum		80.00%									
Weighted Average		75.94%									

Balloon Loan-to-Value Ratios

Balloon Loan-to-Value Ratios (%)		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount (£)	Percent by Aggregate Cut-Off Date Loan Amount (%)	Weighted Average Mortgage Rate (%)	Weighted Average Original Term to Maturity (qtrs)	Weighted Average Remaining Term to Maturity (qtrs)	Weighted Average Cut-off ICR (x)	Weighted Average Last Payment DSCR (x)	Weighted Average Cut-Off Date LTV (%)	Weighted Average Balloon LTV (%)
55.01	60.00	1	5,975,000	2.35	8.35	16.8	16.6	1.33	1.48	75.63	56.68
60.01	65.00	5	116,483,786	45.76	8.37	22.0	21.7	1.40	1.25	76.51	64.06
65.01	70.00	7	97,679,195	38.37	7.88	10.1	9.6	1.26	1.14	74.52	68.13
70.01	75.00	2	30,038,000	11.80	8.34	8.6	8.4	1.35	1.30	78.06	71.25
75.01	80.00	1	4,405,000	1.73	8.29	5.3	5.4	1.31	1.10	77.96	76.90
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		56.68%									
Maximum		76.90%									
Weighted Average		66.52%									

Cut-Off Date Interest Coverage Ratios

Initial Interest Coverage Ratios		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-off ICR	Weighted Average Last Payment DSCR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
(x)			(£)	(%)	(%)	(qtrs)	(qtrs)	(x)	(x)	(%)	(%)
1.1001	1.2000	2	25,851,036	10.15	7.43	17.5	17.3	1.19	1.08	68.50	63.98
1.2001	1.3000	6	82,594,945	32.44	7.81	9.8	9.5	1.24	1.13	74.27	68.32
1.3001	1.4000	4	41,560,000	16.32	8.35	10.0	9.8	1.36	1.30	78.44	68.87
1.4001	1.6000	3	98,100,000	38.53	8.58	22.8	22.3	1.41	1.26	78.98	65.09
1.6001	2.0000	1	6,475,000	2.54	8.55	3.9	1.9	1.93	1.58	64.75	60.25
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		1.16									
Maximum		1.93									
Weighted Average		1.34									

Last Payment Date DSCR

Last Payment Date DSCR		Number of Mortgage Loans	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-off ICR	Weighted Average Last Payment DSCR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
(£)			(£)	(%)	(%)	(qtrs)	(qtrs)	(x)	(x)	(%)	(%)
1.0010	1.2500	12	134,990,981	53.02	7.83	11.3	10.8	1.26	1.13	73.49	67.57
1.2510	1.5000	3	113,115,000	44.43	8.57	21.1	21.0	1.40	1.30	79.49	65.62
1.5010	2.0000	1	6,475,000	2.54	8.55	3.9	1.9	1.93	1.58	64.75	60.25
		16	**254,580,981**	**100.00**	**8.18**	**15.5**	**15.1**	**1.34**	**1.22**	**75.94**	**66.52**
Minimum		1.04									
Maximum		1.58									
Weighted Average		1.22									

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	29	75,874,016	29.80	100,557,125	29.89	75.53
South East	3	21,197,839	8.33	28,500,000	8.47	75.06
Midlands	16	19,218,990	7.55	24,696,750	7.34	77.84
Greater London	1	4,966,324	1.95	6,215,000	1.85	79.91
South West	4	7,966,993	3.13	10,420,875	3.10	76.50
North East	17	27,696,488	10.88	35,442,125	10.53	78.20
North West	5	5,933,880	2.33	7,569,875	2.25	78.56
East Anglia	1	3,600,000	1.41	4,500,000	1.34	80.00
Northern Ireland	17	21,765,026	8.55	27,237,375	8.09	79.91
Scotland	11	18,325,557	7.20	22,933,125	6.82	79.91
Isle of Man	2	1,148,887	0.45	1,437,750	0.43	79.91
Ireland	4	46,886,981	18.42	66,969,064	19.90	70.18
	110	**254,580,981**	**100.00**	**336,479,064**	**100.00**	**75.94**

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
		(£)	(%)	(£)	(%)	(%)
High Street Retail	10	2,174,370	0.85	2,900,000	0.86	74.98
Office	25	81,813,446	32.14	111,589,579	33.16	73.68
Car Parking	3	198,653	0.08	265,000	0.08	74.96
Residential	6	38,392,597	15.08	51,215,000	15.22	74.96
Warehouse	5	17,629,522	6.92	24,400,000	7.25	72.83
Retail Warehouse	3	26,040,545	10.23	35,064,485	10.42	74.28
Nursing Homes	55	84,000,000	33.00	105,120,000	31.24	79.91
Industrial	3	4,331,847	1.70	5,925,000	1.76	73.35
	110	**254,580,981**	**100.00**	**336,479,064**	**100.00**	**75.94**

Town

Town	Number of Properties	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Weighted Average Cut-Off Date Allocated LTV
		(£)	(%)	(%)
Ballymena	1	1,957,363	0.77	79.91
Ballynahinch	1	1,276,541	0.50	79.91
Bangor	2	2,680,736	1.05	79.91
Belfast	6	6,723,116	2.64	79.91
Birmingham	1	4,185,734	1.64	78.98
Blackburn	1	1,191,438	0.47	79.91
Blanchardstown	3	26,821,945	10.54	73.09
Chesterfield	1	851,027	0.33	79.91
Chester-le-Street	1	808,476	0.32	79.91
Chorley	1	1,361,644	0.53	79.91
Comber	1	1,787,158	0.70	79.91
Coventry	1	8,040,000	3.16	79.25
Cumbernauld	1	2,425,428	0.95	79.91
Donaghadee	1	1,255,265	0.49	79.91
Donagheloney	1	553,168	0.22	79.91
Doncaster	2	2,085,017	0.82	79.91
Douglas, Isle of Man	1	425,514	0.17	79.91
Dundee	1	1,744,606	0.69	79.91
Dun Laoghaire	1	20,065,036	7.88	66.30
Durham	1	468,065	0.18	79.91
Ealing	2	4,738,567	1.86	78.98
Edinburgh	2	4,084,932	1.60	79.91
Felixstowe	1	3,600,000	1.41	80.00
Gateshead	3	3,489,212	1.37	79.91
Glasgow	1	2,021,190	0.79	79.91
Harrow	2	12,636,177	4.96	78.98
Hartlepool	2	6,679,579	2.62	76.64
Haddesdon	1	2,416,903	0.95	77.96
Inverness	1	531,892	0.21	79.91
Kidderminster	1	1,579,861	0.62	69.44
Kirkintilloch	2	3,382,834	1.33	79.91
Limavady	1	1,361,644	0.53	79.91
London	26	63,465,596	24.93	74.93
Maidenhead	1	12,305,936	4.83	79.91
Moira	1	1,702,055	0.67	79.91
Morpeth	1	1,425,471	0.56	79.91
Motherwell	1	943,322	0.37	79.91
Newcastle-upon-Tyne	1	595,719	0.23	79.91
Newry	1	1,361,644	0.53	79.91
Newtownabbey	1	1,106,336	0.43	79.91
Paignton	1	1,404,195	0.55	79.91
Perth	1	1,191,438	0.47	79.91
Plymouth	1	2,286,837	0.90	74.98
Preston	1	1,446,747	0.57	79.91
Ramsey, Isle of Man	1	723,373	0.28	79.91
Rotherham	2	2,467,979	0.97	79.91
Rugby	10	2,174,370	0.85	74.98
Salisbury	1	1,988,097	0.78	77.96
Sevenoaks	1	6,475,000	2.54	64.75
Sheffield	4	8,738,803	3.43	76.07
South Shields	1	1,106,336	0.43	79.91
St Austell	1	2,436,793	0.96	74.98
St Helens	1	1,170,163	0.46	79.91
Stoke-on-Trent	1	1,579,522	0.62	78.98
Taunton	1	1,255,265	0.49	79.91
Wishaw	1	1,999,914	0.79	79.91
	110	**254,580,981**	**100.00**	**75.94**

Amortisation Schedule

Payment Date of Notes	Scheduled Amortisation Funds due under Loans
	(£)
18-Jul-00	408,500
18-Oct-00	416,000
18-Jan-01	451,000
18-Apr-01	451,000
18-Jul-01	1,126,500
18-Oct-01	1,093,500
18-Jan-02	1,182,500
18-Apr-02	1,172,500
18-Jul-02	2,172,278
18-Oct-02	1,273,364
18-Jan-03	1,294,864
18-Apr-03	1,264,864
18-Jul-03	1,227,864
18-Oct-03	1,227,864
18-Jan-04	1,258,364
18-Apr-04	1,198,364
18-Jul-04	1,198,364
18-Oct-04	1,198,364
18-Jan-05	1,185,890
18-Apr-05	1,185,890
18-Jul-05	1,136,390
18-Oct-05	1,136,390
18-Jan-06	1,167,942
18-Apr-06	1,167,942
18-Jul-06	1,168,192
18-Oct-06	1,128,192
18-Jan-07	1,138,442
18-Apr-07	458,442

Note: This amortisation schedule does not include balloon payments made on maturity dates.

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 Mortgages and Related Security. Each of the Servicer and the Special Servicer has agreed with the Issuer, the Security Trustee and the Trustee that in performing the services to be performed under the Servicing Agreement it will exercise the same level of skill, care and diligence that it would apply if it were administering mortgages over residential and commercial property in respect of which it is the mortgagee 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.

Each of the Servicer and the Special Servicer is required to adhere to the above standards without regard to any fees or other compensation to which it is entitled, any relationship it may have with any borrower or any other party to the transaction, the different payment priorities among the Notes or the ownership of any Note by the Servicer or Special Servicer or any affiliate thereof. Each of the Servicer and the Special Servicer may become the owner or otherwise hold an interest in the Notes 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) the Prepayment Amount,

and will determine which portions of Borrower Principal Receipts in the Rent Accounts consist of Scheduled Amortisation Funds, Prepayment Redemption Funds and Final Redemption 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 transfer payments from the various Rent Accounts into the Transaction Accounts 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 its 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 its Loan. 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 Loan. 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 Agency, 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 Agency 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 Loan, Mortgage 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 Mortgage 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 Mortgage likely to prejudice the value of the relevant Loan or Mortgage; 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 Loan, Mortgage and its Related Security, to comply with the procedures for enforcement of Loans, Mortgages and Related Security of the Servicer or the Special Servicer, as the case may be, current from time to time (the "**Enforcement Procedures**") or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, to take such action, and to exercise such discretion in respect of such default, as would a reasonably prudent lender of money secured on residential and commercial property. 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.

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 "**Specially Serviced Loan**" is a Loan in respect of which the Interest Cover Percentage (being the proportion (expressed as a percentage) which the net rental income payable to or for the benefit of the Borrower thereunder over a period of three months in connection with the Property or Properties the subject of that Loan bears to the amount of interest payable on such Loan in respect of the same period) is equal to or less than 110 per cent. Notwithstanding the appointment of the Special Servicer in respect of a Specially Serviced 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. For twelve of the Loans, if the Interest Cover Percentage of a Loan is equal to or less than 125 per cent. but greater than 110 per cent., for three of the Loans if the Interest Cover Percentage is equal to or less than 115 per cent., but greater

than 110 per cent. and for one of the Loans if the Interest Cover Percentage is equal to or less than 120 per cent. but greater than 110 per cent. then 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, Mortgage and/or Related Security.

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 Mortgage and the document constituting the Security Trust, 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 Property, which may in certain circumstances involve the receiver managing the relevant Property (including the handling of payments of rent) for a period of time and/or seeking to sell the Property to a third party.

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

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, the Mortgages and the Related Security. The Servicer will establish and maintain procedures to ensure that all buildings insurance policies 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 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 Servicing Fee) at the beginning of the Collection Period to which that Interest Payment Date relates. The Servicing Fee, or any part of such Servicing Fee, is assignable by the Servicer, subject to the assignee agreeing to be bound by the terms of the Deed of Charge and Assignment. Following any termination of MSMS's appointment as Servicer, the Servicing Fee will be paid to any substitute servicer appointed; provided that in respect of a termination by the Servicer 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, Mortgage 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, net of Principal Shortfalls, of the Notes, 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 Mortgages, 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 that is designated as a Specially Serviced Loan, the Issuer shall pay to the Special Servicer a fee (a "**Special Servicing Fee**") equal to 0.15 per cent. per annum (exclusive of VAT) of the outstanding principal amount of the borrowing by the Borrower under that 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 Percentage in respect of such Loan has been maintained at or above 110 per cent. for a period of three consecutive months, as applicable. The Special Servicing 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 Servicing Fee is payable. In addition to the Special Servicing 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 Final Redemption Funds allocated to Available Interest Receipts 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, a Principal Shortfall would 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.

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 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, 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 Principal Shortfalls, 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 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 Agency has 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 Mortgages or, if later, upon discharge of all of the liabilities of the Issuer to the Secured Parties.

Receivers

Pursuant to the Servicing Agreement, the Trustee, the Security Trustee and the Issuer have authorised the Servicer and the Special Servicer, as necessary, to give a receiver appointed pursuant to a Mortgage or its Related Security 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, Mortgage 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 Mortgage 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.

Notwithstanding the foregoing, neither the Servicer nor the Special Servicer will be liable for any obligation of a Borrower or a Mortgagor under any Loan, Mortgage 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 Ltd (in this capacity, the "**Cash Manager**") to be its agent to provide certain cash management services in relation to the Issuer's Transaction Accounts, 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 Accounts, if the Swap Agreement Credit Support Annex is entered into the Swap Collateral Cash Account, a 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 Accounts, 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 transfer all Borrower Interest Receipts, Borrower Principal Receipts and Prepayment Fees from the Rent Accounts (or, if relevant, the Cash Collateral Account) into the Transaction Accounts; all payments required to be made by the Issuer to the Swap Provider under the Swap Agreement will be deducted from the Transaction Accounts. In addition, all payments made by the Swap Provider and/or the Swap Guarantor, other than those contemplated by the Swap Agreement Credit Support Annex, and all drawings under the Liquidity Facility will be paid into the Transaction Accounts. See "Servicing" and "Credit Structure - The Swap Agreement". Once such funds have been credited to the Transaction Accounts, the Cash Manager is required to apply such funds in accordance with the Deed of Charge and Assignment and the Cash Management Agreement, as described below.

On each Calculation Date (being the second business day prior to the relevant Interest Payment Date), the Cash Manager is required to determine, 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, the Principal Shortfall 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 Calculation Date, the Cash Manager will determine the amounts that will be payable under the Currency Swap Transactions on the next Interest Payment Date in respect of the Dutch Loans.

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

The Cash Manager will make all payments required to carry out 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, that there is a shortfall in Scheduled Interest Receipts or Scheduled Amortisation Funds in respect of the Collection Period then ended, or if certain Revenue Priority Amounts which fall due on a date other than an Interest Payment Date and cannot be met by the application of other funds available for the purpose, the Cash Manager is required to submit a notice of drawdown under the Liquidity Facility Agreement. If the Cash Manager fails to submit a notice of drawdown when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Trustee may submit the relevant notice of drawdown.

Ledgers

The Cash Manager shall maintain the following ledgers:

(a) the Revenue Ledger;

(b) the Principal Shortfall Ledger, which shall consist of the following sub-ledgers:

  (i) the A Principal Shortfall Ledger;

  (ii) the B Principal Shortfall Ledger;

  (iii) the C Principal Shortfall Ledger;

  (iv) the D Principal Shortfall Ledger; and

  (v) the E Principal Shortfall Ledger;

(c) the Principal Ledger;

(d) the Liquidity Ledger; and

(e) the Prepayments Ledger.

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

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

(b) debit the Principal Shortfall Ledger with any Principal Losses. For a discussion of the operation of the Principal Shortfall Ledger and each sub-ledger thereof, see further "Credit Structure - Principal Shortfall Ledgers";

(c) credit the Principal Ledger with all Borrower Principal Receipts transferred and credited to the Transaction Accounts and debit the Principal Ledger with all payments made out of Available Scheduled Amortisation Amounts, Available Prepayment Redemption Amounts and Available Final Redemption Amounts;

(d) credit the Liquidity Ledger with any transfer made pursuant to item (i)(J) or item (ix) in "Summary – Available Funds and their Priority of Application - Payments out of the Transaction Accounts prior to Enforcement of the Notes - (b) Available Interest Receipts", or item (i)(B) in "Summary – Available Funds and their Priority of Application - Payments out of the Transaction Accounts prior to Enforcement of the Notes - (c) Available Principal" and debit the Liquidity Ledger with all drawings under the Liquidity Facility; and

(e) credit the Prepayments Ledger with all Prepayment Fees and debit the Prepayment Ledger with all payments made out of Prepayment 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 Agency 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 Issuer's Transaction Accounts 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 Mortgages, the Related Security and the Notes.

Termination of Appointment of the Cash Manager

The appointment of AIB International Financial Services Ltd 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 Accounts 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 A-1+ by the Rating Agency 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 Mortgages 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 Agency. The ratings assigned by the Rating Agency to each class of Notes are set out in "Summary - The Notes - Ratings". A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings of the Notes are dependent upon, among other things, the short-term unsecured, unguaranteed, unsubordinated debt ratings of the Liquidity Facility Provider and the long term unsecured, unsubordinated debt rating of 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, Mortgages 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 Interest Payment Dates. This risk is addressed in respect of the Notes through drawings under the Liquidity Facility to cover certain third party expenses, Borrower Interest Receipts and certain amounts in respect of Scheduled Amortisation Funds 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, Mortgage 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;

(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 Interest Rate Swap Transactions (see "The Swap Agreement" below), and by drawings under the Liquidity Facility to cover certain third party expenses and Borrower Interest Receipts; and

(d) the risk of movements in foreign exchange rates in relation to the Dutch Loans, each of which is denominated in euro, and the Notes which are payable in sterling. This risk is addressed by the Currency Swap Transactions and drawings under the Liquidity Facility to cover certain third party expenses and shortfalls in Borrower Interest Receipts and Scheduled Amortisation Funds. 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 Corporate Services Provider, 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 – Distributions - Payments out of the Transaction Accounts 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 and any such unpaid interest and interest accrued thereon since the original due date thereof shall be paid in priority to the current interest due on such class or classes of Notes on each subsequent Interest Payment Date, but only if and to the extent that funds are available therefor. To the extent that funds do not become available on subsequent Interest Payment Dates then, at final maturity or earlier redemption of the Class D Notes or the Class E Notes, as the case may be, the Issuer's obligation in respect of any outstanding shortfall and interest thereon will cease.

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 an Interest Drawing 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.

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. Funds which are available in respect of payments of principal on the Notes as described in the definitions of Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds in Condition 6(*b*) will be applied first, in respect of each Loan individually, in paying any amounts due or overdue in respect of breakage costs and payments under the Currency Swap Transactions attributable to principal payments under the Dutch Loans and then any outstanding Principal Drawings under the Liquidity Facility Agreement and secondly, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full and only then will payments of principal on the Class B Notes, Class C Notes, Class D Notes and the Class E Notes become payable, as provided in "Summary – Distributions – Payments out of the Transaction Accounts prior to Enforcement of the Notes – Available Principal". However, if on any Interest Payment Date the Available Interest Receipts calculated in respect of the Collection Period ended on the Calculation Date immediately preceding such Interest Payment Date exceeds the Priority Revenue Payments (as defined in Condition 6(*b*) of the Notes) payable on such Interest Payment Date, then the Class E Notes outstanding on such Interest Payment Date shall be subject to mandatory redemption in part in an amount equal to the lower of (a) the excess of such Available Interest Receipts over such Priority Revenue Payments then payable, and (b) the amount equal to (i) the product of (x) 0.375 per cent. and (y) the Principal Amount Outstanding of the Notes as at the date of issuance thereof minus (ii) the aggregate amount of the Class E Notes redeemed on any preceding Interest Payment Date using excess Available Interest Receipts. An additional amount of £19 shall be applied in redemption of the Class E Notes on the first Interest Payment Date, representing the amount by which the aggregate Principal Amount Outstanding of the Notes on the Closing Date exceeds the aggregate principal amount of the Loans as of the Cut-Off Date.

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) the Trustee and any receiver, *pari passu* and *pro rata*, 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 a Mortgage and/or its Related Security; then (b) to the Swap Provider in respect of amounts due or overdue to it under the Swap Agreement or, if entered into, the Swap Agreement Credit Support Annex; 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 Servicing Fees; then (e) the Cash Manager under the Cash Management Agreement; then (f) the Corporate Services Provider under the Issuer Corporate Services Agreement; then (g) amounts due to the Depository under the Depository Agreement; then (h) the Operating Bank under the Cash Management Agreement; and then (i) the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of Principal Drawings, Interest Drawings (each as defined below) and the commitment fee (except to the extent that the commitment fee has been increased pursuant to the imposition of increased costs on the Liquidity Facility Provider); and any Mandatory Costs, up to a maximum aggregate amount of 0.125 per cent. per annum, due or overdue to the Liquidity Facility Provider under the Liquidity Facility Agreement;

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

(iii) in or towards payment of (a) interest due or overdue (and all interest due on such overdue interest) 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 any amounts due and payable by the Issuer to the Special Servicer in respect of any Liquidation Fee;

(vii) 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;

(viii) 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)(i) 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;

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

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

All Prepayment Fees shall be paid to MSDW Bank or the person or persons then entitled thereto. Upon enforcement of the Issuer Security, the Trustee will have recourse only to the rights of the Issuer to the Loans, the Mortgages and the Related Security and all other assets constituting the Issuer Security. Other than (a) as provided in the Mortgage Sale Agreement for material breach of warranty in relation to the Loans, the Mortgages and, in certain limited circumstances, the Related Security (as to which, see further "The Loans, the Mortgages 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 or MSDW Bank set out therein, the Issuer and/or the Trustee will have no recourse to MSMS or MSDW Bank.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver 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 Servicing Fee and Liquidation Fees, the Cash Manager, the Operating Bank, the Depository, all payments due to the Swap Provider under the Swap Transactions and all payments due to the Liquidity Facility Provider under the Liquidity Facility (other than in respect of amounts specified at item (viii) above) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all payments on the Class A Notes 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 the Liquidity Facility which will permit drawings to be made by the Issuer of up to an aggregate amount of £20,000,000. However, where all the Class A Notes have been redeemed in full pursuant to Condition 6(*b*), the maximum aggregate amount that may be drawn under the Liquidity Facility shall be reduced to £10,000,000. If the Loan to the Second Principal Borrower or the Loan to the First Principal Borrowers is repaid in full, the maximum aggregate amount that may be drawn down under the Liquidity Facility shall be reduced to £15,000,000 or £10,000,000, respectively. If both the Loan to the Second Principal Borrower and the Loan to the First Principal Borrowers are repaid in full, the maximum aggregate amount that may be drawn down under the Liquidity Facility shall be reduced to £5,000,000. If the aggregate principal balance of the Loans is less than £5,000,000, the maximum aggregate amount that may be drawn under the Liquidity Facility shall be reduced to the amount equal to the aggregate principal balance outstanding under the Loans from time to time.

The Cash Manager, or failing the Cash Manager, the Issuer or, failing whom, the Trustee, will be required to make a drawing to meet any shortfall in:

(a) Borrower Interest Receipts – in an amount equal to the difference between the Borrower Interest Receipts actually received and the amount of Scheduled Interest Receipts due and payable by the Borrowers under the Loans during any Collection Period (an "**Interest Drawing**"); and/or

(b) Scheduled Amortisation Funds – in an amount equal to the difference between the Scheduled Amortisation Funds actually received and the amount of scheduled principal payments due and payable on the Loans during any Collection Period, to the extent such shortfall exceeds the sum of the Prepayment Redemption Funds and Final Redemption Funds received during such Collection Period (a "**Principal Drawing**"); and/or

(c) the amount of funds available to the Issuer to pay Revenue Priority Amounts to a third party other than MSDW Bank (an "**Expenses Drawing**").

The Liquidity Facility will not be available to fund shortfalls in the amount of Final Redemption Funds and will not be available to fund any shortfall in Borrower Interest Receipts arising as a consequence of voluntary prepayments of the Loans by the Borrowers.

Interest Drawings and Principal Drawings will be repayable on the Interest Payment Date following the Interest Payment Date in respect of which such drawdown was made, and Expenses Drawings (which may be requested on any Business Day) will be repayable on the Interest Payment Date following the date of drawdown thereof, in each case in accordance with the relevant order of priorities described in "Summary - Payments out of the Transaction Accounts prior to Enforcement of the Notes". In the event that such drawings are not repaid on the relevant Interest Payment Date described above, the amount outstanding under the Liquidity Facility will be deemed to be repaid (but only for the purposes of the Liquidity Facility) and redrawn on such Interest Payment Date in an amount equal to all amounts outstanding. This procedure will be repeated on each subsequent Interest Payment Date until all amounts outstanding are paid and/or repaid.

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, 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 A1+ by the Rating Agency or are otherwise acceptable to the Rating Agency.

Amounts standing to the credit of the Stand-by Account will be available to the Issuer for drawing in respect of an Interest Drawing, a Principal Drawing 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 (other than in respect of any amounts due thereunder which are described in item (ix) of "Summary - Distributions - Payments out of Transaction Accounts prior to Enforcement of the Notes - Available Interest Receipts") will rank in point of priority ahead of payments of interest and principal on the Class A Notes.

5. Principal Shortfall Ledgers

A principal shortfall ledger (the "**Principal Shortfall Ledger**") will be opened in the books of the Issuer and maintained by the Cash Manager, which includes a sub-ledger in relation to each class of Notes (in accordance with the provisions of the Cash Management Agreement and the Deed of Charge and Assignment), to record shortfalls in the amount of Scheduled Amortisation Funds and Final Redemption Funds received following the enforcement of a Loan. The Principal Shortfall Ledger comprises five sub-ledgers (one sub-ledger in respect of each class of Notes) to which (a) there will be debited an amount equal to the aggregate of all amounts of principal which are not recovered and/or are written off on completion of the enforcement procedures in respect of any Loan, Mortgage and/or Related Security as well as any related costs including swap breakage costs and any costs in connection with the Liquidity Facility Agreement (a "**Principal Loss**") and (b) there will be credited (i) all amounts subsequently recovered in respect of a Loan, Mortgage and its Related Security, less amounts recovered in respect of buildings insurance which are payable to third parties under the terms of that Loan ("**Principal Recoveries**") and (ii) the amount from time to time by which the aggregate principal amount outstanding of the Loans exceeds the aggregate Principal Amount Outstanding of the Notes ("**Excess**"), until the balance of such sub-ledger is reduced to zero. "**Principal Shortfall**" is the amount by which aggregate Principal Losses exceed aggregate Principal Recoveries and Excess.

A Principal Shortfall will be applied first against the E Principal Shortfall Ledger until the Principal Shortfall is equal to the Principal Amount Outstanding of the Class E Notes, and thereafter to the D Principal Shortfall Ledger until the Principal Shortfall is equal to the Principal Amount Outstanding of the Class D Notes, and thereafter to the C Principal Shortfall Ledger until the Principal Shortfall is equal to the Principal Amount Outstanding of the Class C Notes, and thereafter to the B Principal Shortfall Ledger until the Principal Shortfall is equal to the Principal Amount Outstanding of the Class B Notes and thereafter to the A Principal Shortfall Ledger until the Principal Shortfall is equal to the Principal Amount Outstanding of the Class A Notes. The Principal Amount Outstanding from time to time in respect of any class of the Notes will be calculated, in certain circumstances, net of any Principal Shortfall in respect of such class. See Condition 5 and Condition 6 of the Notes. Interest will accrue on the debit balance of the relevant Shortfall Ledger at the Relevant Margin for the applicable class of Notes in the same manner as the Notes outstanding of such class, but will only be payable in accordance with Condition 16(*a*) or upon enforcement of the Notes.

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 Transactions pursuant thereto (each as described below). The obligations of the Swap Provider under the Swap Agreement will be guaranteed by the Swap Guarantor. Upon the occurrence of an Event of Default (as defined therein) with respect to MSCS under the Swap Agreement, it will assign its rights under the Swap Agreement to MSDW who will take on the obligations of the Swap Provider.

The Issuer will enter into the Swap Transactions, pursuant to the Swap Agreement, with the Swap Provider in order to protect itself against interest rate risk and currency risk arising in respect of the Loans. The Swap Transactions to be entered into are:

(i) interest rate swap transactions (the "**Interest Rate Swap Transactions**") in order to protect the Issuer against interest rate risk arising in respect of the Loans; and

(ii) the currency swap transactions (the "**Currency Swap Transactions**") in order to protect the Issuer against currency risk arising as a result of payments of interest and principal on the Dutch Loans being denominated in euro and payments of interest and principal on the Notes being denominated in sterling.

Under the terms of the Interest Rate Swap Transactions, 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 ("Y") and the Swap Provider will pay to the Issuer an amount equal to the excess (if any) of Y over X.

Under the terms of the Currency Swap Transactions, the Issuer will pay to the Swap Provider on the Closing Date the outstanding aggregate principal balance of the Dutch Loans and on each Interest Payment Date a euro payment equal to the amounts payable by each Borrower under each of the Dutch Loans and in return will receive from the Swap Provider, on the Closing Date and on each such Interest Payment Date, a sterling payment equal to the amount paid by the Issuer at a rate of exchange determined on or before the Closing Date and determined by reference to the Euro Sterling Exchange Rate on the Cut-off Date.

The Swap Transactions 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 Transactions 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 Transactions will constitute a default thereunder and entitle the Swap Provider to terminate the Swap Transactions save that failure by the Issuer to make when due the final payment under the Currency Swap Transactions where such failure is due to the failure by any one of the Borrowers of the Dutch Loans to make the final payment thereunder shall not constitute a default by the Issuer nor entitle the Swap Provider to terminate the Currency Swap Transactions but shall result in a deferral of the Issuer's obligation to make such payment until the Maturity Date.

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**"), 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 Transactions 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 but net of any Principal Shortfall. 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 Transactions) to any third party provided the Rating Agency has 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

(a) If the rating of the short-term unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A-1+" by the Rating Agency 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 Annex and the delivery of collateral to the Security Trustee (which collateral may be in the form of cash or securities) in respect of its obligations under the Currency Swap Transactions in an amount or of a value determined in accordance with the most recent applicable swap collateral guidelines published by the Rating Agency.

(b) If the rating of the short-term unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A-1" by the Rating Agency 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 Annex, 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 Interest Rate Swap Transactions in an amount or value determined in accordance with the most recent applicable swap collateral guidelines published by the Rating Agency.

8. Swap Agreement Credit Support Annex 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 as may be acceptable to the Issuer (the "**Swap Agreement Credit Support Annex**"). The Swap Agreement Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Annex, 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 Annex. References in this Offering Circular to the Swap Agreement Credit Support Annex 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 Annex 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 Annex 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 Annex is to return "equivalent securities".

9. Swap Guarantee

The Swap Provider's obligations under the Swap Transactions 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 or it is replaced by a suitably rated third party) to be the Swap Provider, 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 average lives of the Notes, at various assumed rates of prepayment for the Loans, would be as follows:

Average Life of Class A Notes (years)	Average Life of Class B Notes (years)	Average Life of Class C Notes (years)	Average Life of Class D Notes (years)	Average Life of Class E Notes (years)
5.67	7.04	7.04	7.04	6.28

Assumptions (a), (b) and (c) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

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 (the "**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 Depositary 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 £1,000 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, Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

The CDIs issued in representation of the Reg S Global Notes and the Rule 144A Global Notes held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary or its nominee. The CDIs issued in representation of the Rule 144A Global Notes held by or on behalf of DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through (i) DTC if they are participants in such system, or indirectly through organisations which are participants in such system; Euroclear and Clearstream, Luxembourg are such participants, or (ii) Euroclear and Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. All Book-Entry Interests in the Rule 144A Global Notes held by or on behalf of DTC will be subject to the procedures and requirements of DTC and all Book-Entry Interests in the Rule 144A Global Notes held by the Common Depositary will be subject to the procedures and requirements of Euroclear and Clearstream, Luxembourg.

Purchasers of Book-Entry Interests in a Global Note pursuant to Reg S will hold Book-Entry Interests in the Reg S Global Note relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "Transfer and Transfer Restrictions" below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. After the expiration of the Note Distribution Compliance Period (as defined under "Transfer and Transfer Restrictions" below) but not earlier, investors may also hold such Book-Entry Interests through organisations, other than Euroclear or Clearstream, Luxembourg, that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Reg S Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfer of Book-Entry Interests among participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Notes

Payment of principal of and interest on the Global Notes will be made to the Depository as the holder thereof. All such amounts will, subject as provided below, be payable by a paying agent, in pounds sterling. 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 depository 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 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 £1,000 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 and no alternative clearing system satisfactory to the Trustee is available; 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

(iii) the Depository is at any time 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; 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 by a revenue authority or a court 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 were the Notes in definitive 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.

HOLDERS SHOULD BE AWARE THAT, UNDER CURRENT U.K. TAX LAW, FOLLOWING THE ISSUANCE TO A HOLDER OF REGISTERED DEFINITIVE NOTES, PAYMENT OF INTEREST WILL BE SUBJECT TO U.K. WITHHOLDING TAX (CURRENTLY AT THE RATE OF 20 PER CENT.), SUBJECT TO THE TERMS OF ANY APPLICABLE DOUBLE TAX TREATY (OR OTHER AVAILABLE RELIEFS). SEE FURTHER "UNITED KINGDOM TAXATION". IN SUCH CIRCUMSTANCES NEITHER THE ISSUER NOR ANY OTHER PERSON WILL BE OBLIGED TO PAY ADDITIONAL AMOUNTS WITH RESPECT TO ANY DEFINITIVE NOTE (OR GLOBAL NOTE).

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 London Stock Exchange and the rules of the London Stock Exchange shall so require), notices regarding the Notes will be published in a leading newspaper having a general circulation in London, which is expected to be the Financial Times and (for so long as the Notes are admitted to the Official List and the rules of the UK Listing Authority 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 of 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 days' 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 £197,300,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class A Notes**"), the £17,821,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class B Notes**"), the £15,275,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class C Notes**"), the £15,911,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2009 (the "**Class D Notes**") and the £8,274,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2009 (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 European Loan Conduit No. 3 plc (the "**Issuer**") are constituted by a trust deed dated on or about 12th July, 2000 (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 Chase Manhattan Trustees 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 (the "**Noteholders**", as more fully defined below). Any reference to a "**class**" of Notes or of Noteholders shall be a reference to any, or all of, the respective Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes 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 12th July, 2000 (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 11th July, 2000 (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 Ltd. 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 12th July, 2000 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 12th July, 2000 between the Issuer, AIB International Financial Services Ltd, in its capacity as Exchange Rate Agent, the Trustee and Chase Manhattan Trustees Limited, New York Office, in its capacity as 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 therein as from time to time so modified) and a master definitions agreement dated on or about 12th July, 2000 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 11th July, 2000.

1. Global Notes

(a) Rule 144A Global Notes

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes initially offered and sold in the United States of America (the "**United States**") to qualified institutional buyers (as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended, (the "**Securities Act**") in reliance on Rule 144A will initially be represented by two separate global notes in bearer form for each class of Note (the "**Class A 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 in respect of each class of Notes in the name of The Chase Manhattan Bank, London (the "**Common Depositary**") for the account of Morgan Guaranty Trust Company of New York (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 A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Reg S**") under the Securities Act will initially be represented by a separate global note in bearer form for each class of Note (the "**Class A 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 show 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*)) net of any respective Principal Shortfall (as defined in Condition 6(*c*)) 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 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, net of any respective Principal Shortfall, 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 £1,000 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 £1,000 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 Class A Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other classes of Notes. The Class A Notes rank *pari passu* without preference or priority among themselves.

(b) The Class B Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other classes of Notes. The Class B Notes rank *pari passu* without preference or priority among themselves, but the Class A Notes will rank in priority to the Class B Notes in the event of the Issuer Security (as defined in the Master Definitions Agreement) being enforced. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal of and interest on the Class A Notes, as provided herein.

(c) The Class C Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other classes of Notes. The Class C Notes rank *pari passu* without preference or priority among themselves, but the Class A Notes and

the Class B Notes will rank in priority to the Class C Notes in the event of the Issuer Security being enforced. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal of and interest on the Class A Notes and Class B Notes as provided herein.

(d) The Class D Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other classes of Notes. The Class D Notes rank *pari passu* without preference or priority among themselves, but the Class A Notes, the Class B Notes and the Class C Notes will rank in priority to the Class D Notes in the event of the Issuer Security being enforced. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class D Notes are subordinated to, *inter alia*, payments of principal of and interest on the Class A Notes, the Class B Notes and the Class C Notes.

(e) The Class E Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the other classes of Notes. The Class E Notes rank *pari passu* without preference or priority among themselves, but the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will rank in priority to the Class E Notes in the event of the Issuer Security being enforced. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class E Notes are subordinated to, *inter alia*, payments of principal of and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

(f) 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) the Class A Noteholders (for so long as the Class A Notes are outstanding); and

(B) the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or 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; and

(iv) if in the Trustee's opinion, there is a conflict between the interests of:

(A) the Class D Noteholders (for so long as there are any Class D Notes 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.

(g) The Trust Deed contains provisions limiting the powers of (i) the Class B Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders, (ii) the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders or the Class B Noteholders, (iii) the Class D Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders, and (iv) the Class E Noteholders, *inter alia*, to request or direct the Trustee to take any action or pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders, irrespective of the effect thereof on their interests. Except in certain circumstances, the exercise of their powers by (i) the Class B Noteholders will be binding on the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, irrespective of the effect thereof on their interests, (ii) the Class C Noteholders will be binding on the Class D Noteholders and the Class E Noteholders, irrespective of the effect thereof on their interests, and (iii) the Class D Noteholders will be binding on the Class E Noteholders, irrespective of the effect thereof on their interests.

(B) Security and Priority of Payments

The security in respect of the Notes is set out in the Deed of Charge and Assignment. The Deed of Charge and Assignment also contains provisions regulating the priority of application of the Available Interest Receipts (as defined in the 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 interest owing on the Class D Notes or the Class E Notes or principal of the Notes of any class exists on the Final Interest Payment Date (as defined in Condition 16(*a*)) 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

Save with the prior written consent of the Trustee or 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, the Swap Transactions (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, the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Relevant Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time; and

(j) *VAT*

apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Relevant Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that the Rating Agency (as defined in Condition 15) provides 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 Accounts (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 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 shall have been 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 more 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 Principal Shortfalls (as defined in Condition 6(*c*)), 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, net of any respective Principal Shortfall, from (and including) the Closing Date. 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 or default is made in putting the relevant Paying Agent in funds in respect thereof in accordance with the Agency Agreement. In such event, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note (but subject, in the case of the Class D Notes and the Class E Notes, to the provisions of

Condition 5(j)) 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*

Interest on the Notes is payable quarterly in arrear on the 25th day of January, April, July and October in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each an "**Interest Payment Date**") in respect of the Interest Period ending immediately prior thereto. The first Interest Payment Date in respect of each class of Notes will be 25th October, 2000.

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, 2000) and "**Business Day**" shall in these Conditions (other than Condition 7) mean a day (other than a Saturday or a Sunday) which is both 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 and on which the TARGET System is open. In these Conditions, "**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(c) *Rate of Interest*

Subject, in the case of the Class D Notes and the Class E Notes, to Condition 5(j) 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, 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 in the London inter-bank market (or, in the case of the first Interest Determination Date, the linear interpolation of three and four month sterling deposits) 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 (or, in the case of the first Interest Determination Date, the linear interpolation of three and four 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 A Notes, 0.40 per cent. per annum;

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

(C) in respect of the Class C Notes, 1.15 per cent. per annum;

(D) in respect of the Class D Notes, 1.40 per cent. per annum; and

(E) in respect of the Class E Notes, 1.40 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, as applicable, the Closing Date, in respect of the Notes of each class, and (ii) the sterling amount (the "**Interest Amount**") payable in respect of such Interest Period in respect of the Notes of each class. Each Interest Amount in respect of the Notes of each class shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Notes of each class, net of any relevant Principal Shortfall, 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 London Stock Exchange plc (the "**London Stock Exchange**") (for so long as the Notes are admitted to trading on the London Stock Exchange), to the Company Announcements Office (for so long as the Notes are admitted to the Official List) 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.

(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. The Agent Bank may not resign until a successor so approved by the Trustee has been appointed.

(i) *Interest on Principal Shortfall*

Interest will accrue on the debit balance of the relevant Shortfall Ledger (as defined in the Master Definitions Agreement) at the Relevant Margin for the applicable class of Notes in the same manner as on the Principal Amount Outstanding of Notes of such class; provided, however, that any such interest will be payable only in accordance with Condition 16*(a)* or upon acceleration of the Notes and enforcement of the Issuer Security in accordance with Condition 10, Condition 11, Condition 16 and the Deed of Charge and Assignment.

(j) The interest due and payable on the Class E Notes and, upon reduction to zero of the Principal Amount Outstanding (net of any Principal Shortfall) of the Class E Notes, the Class D 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 the result of (x) the Available Interest Receipts in respect of such Interest Payment Date (including, for the avoidance of doubt, the amount available for drawing by way of an Interest Drawing (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, as applicable, 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, net of any relevant Principal Shortfall in accordance with Condition 16*(b)*, together with accrued interest on the Interest Payment Date falling in July 2009.

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 Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds*

Subject as provided in Conditions *6(c)*, *6(d)* and *6(e)*, prior to the service of a Note Enforcement Notice and subject as provided below, the most senior class of Notes then outstanding shall be subject to mandatory redemption in part on each Interest Payment Date if on the Calculation Date (as defined below) relating thereto there are any Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds or Available Final Redemption 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 as specified below, and if the amount of such Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds, after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, is not less than £1. If on any Interest Payment Date, the most senior class of Notes then outstanding is redeemed in full pursuant to the foregoing, any remaining Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds shall be applied in mandatory redemption in part of the next most senior class of Notes then outstanding.

The "**Calculation Date**" means the second Business Day prior to the relevant Interest Payment Date.

For the purposes of these Conditions:

(A) "**Scheduled Amortisation Funds**" on any Calculation Date means the amount which is the aggregate of all sterling amounts (whether received in sterling or to be exchanged into sterling pursuant to the Swap Agreement) of (i) all principal received or recovered by or on behalf of the Issuer in respect of the Loans and/or the Mortgages and/or the Related Security (each as defined in the Master Definitions Agreement) other than any Prepayment Redemption Funds or Final Redemption Funds (each as defined below) during the period from (and including) the preceding Calculation Date (or, if applicable, in the case of the first Calculation Date, the period from (and including) the Closing Date, up to (but excluding) such first Calculation Date) (each a "**Collection Period**"), (ii) all insurance proceeds relating to principal received by the Issuer during such Collection Period 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), and (iii) all purchase moneys paid to the Issuer (other than in respect of accrued interest) on repurchase or purchase of any Loans and Mortgages pursuant to the terms of the Mortgage Sale Agreement (as defined in the Master Definitions Agreement) during such Collection Period, and "**Available Scheduled Amortisation Funds**" means, in respect of any Calculation Date, the sum of (i) the Scheduled Amortisation Funds in respect of the Collection Period then ended, plus (ii) the aggregate principal amount available for drawing by way of a Principal Drawing under the Liquidity Facility Agreement in respect of principal instalments due under the Loans outstanding during the Collection Period ended on such Calculation Date and unpaid (to the extent such shortfall exceeds Prepayment Redemption Funds and Final Redemption Funds received during such

Collection Period), less (iii) the aggregate amount of Scheduled Amortisation Funds applied by the Issuer in respect of any Principal Priority Amounts and Revenue Priority Amounts (each as defined in the Master Definitions Agreement) during that Collection Period in accordance with the Deed of Charge and Assignment;

(B) "**Prepayment Redemption Funds**" means the aggregate net sterling amount (whether received in sterling or to be exchanged into sterling pursuant to the Swap Agreement) of principal payments received or recovered by or on behalf of the Issuer in respect of the Loans and/or the Mortgages in any Collection Period as a result of any prepayment in part or in full made by the Borrowers pursuant to the terms of the relevant Loans including any prepayment which results from Principal Recoveries (as defined in the Master Definitions Agreement), and "**Available Prepayment Redemption Funds**" means, in respect of any Calculation Date, the Prepayment Redemption Funds received or recovered 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; and

(C) "**Final Redemption Funds**" means the net aggregate sterling amount (whether received in sterling or to be exchanged into sterling pursuant to the Swap Agreement) of principal payments received or recovered by or on behalf of the Issuer in respect of the Loans and/or the Mortgages in any Collection Period as a result of the repayment in full 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 and any amount to be transferred in accordance with the Deed of Charge and Assignment to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purposes of paying the 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 Scheduled Amortisation Funds, Available Prepayment Redemption Funds or Available Final Redemption Funds, as applicable, on any preceding Calculation Date. Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds determined on each Calculation Date shall be applied, on the immediately following Interest Payment Date, first, in respect of each individual Loan, in paying any amounts due or overdue in respect of break costs and then in respect of Principal Drawings (excluding any interest accrued due and unpaid thereon) to the Liquidity Facility Provider under the Liquidity Facility Agreement (each as defined in the Master Definitions Agreement); secondly, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full and then in paying any amount outstanding in respect of the A Principal Shortfall Ledger (as defined in the Master Definitions Agreement); thirdly, in paying principal on the Class B Notes until all the Class B Notes have been redeemed in full and then in paying any amount outstanding in respect of the B Principal Shortfall Ledger (as defined in the Master Definitions Agreement); fourthly, in paying principal on the Class C Notes until all the Class C Notes have been redeemed in full and then in paying any amount outstanding in respect of the C Principal Shortfall Ledger (as defined in the Master Definitions Agreement); fifthly, in paying principal on the Class D Notes until all the Class D Notes have been redeemed in full and then in paying any amount outstanding in respect of the D Principal Shortfall Ledger (as defined in the Master Definitions Agreement); sixthly, in paying principal on the Class E Notes until all the Class E Notes have been redeemed in full and then in paying any amount outstanding in respect of the E Principal Shortfall Ledger (as defined in the Master Definitions Agreement); and seventhly, in paying that portion of the Deferred Consideration that is payable out of the principal receipts above referred to; provided that if on any Calculation Date the Trustee receives written confirmation from the Rating Agency that the then applicable ratings of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not be

downgraded, withdrawn or qualified thereby, the Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption 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.

In addition to the foregoing, if, on any Interest Payment Date, the Available Interest Receipts calculated in respect of the Collection Period ended on the Calculation Date immediately preceding such Interest Payment Date exceeds the Priority Revenue Payments (as defined below) payable on such Interest Payment Date, the Class E Notes outstanding on such Interest Payment Date shall be subject to mandatory redemption in part in an amount equal to sum of (1) the lower of (a) the excess of such Available Interest Receipts over such Priority Revenue Payments, and (b) the amount equal to (i) the product of (x) 0.375 per cent. and (y) the aggregate Principal Amount Outstanding of the Notes as at the Closing Date minus (ii) the aggregate principal amount of the Class E Notes redeemed on any preceding Interest Payment Date pursuant to this paragraph plus (2) in the case of the first Interest Payment Date only, £19 (representing the amount by which the aggregate Principal Amount Outstanding of the Notes on the Closing Date exceeds the principal amount outstanding on the Loans as of the Cut-Off Date (as defined in the Master Definitions Agreement). For these purposes, "**Priority Revenue Payments**" means those payments scheduled to be made on the applicable Interest Payment Date pursuant to sub-clauses 6.2.2.(a) to (p) of the Deed of Charge and Assignment save that for the purposes of this determination the amount of that portion of the Deferred Consideration (as defined in the Master Definitions Agreement), if any, payable out of Available Interest Receipts will not be taken into account.

(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) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes, but net of an amount equal to the then debit balance on the A Principal Shortfall Ledger (for the purposes of Conditions 6(*c*), (*d*) and (*e*) (the "**A Principal Shortfall**"), 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, but net of an amount equal to the then debit balance on the B Principal Shortfall Ledger (for the purposes of Conditions 6(*c*), (*d*) and (*e*), the "**B Principal Shortfall**") 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, but net of an amount equal to the C Principal Shortfall Ledger (for the purposes of Conditions 6(*c*), (*d*) and (*e*), the "**C Principal Shortfall**") 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, but net of an amount equal to the then debit balance on the D Principal Shortfall Ledger (for the purposes of Conditions 6*(c)*, *(d)* and *(e)*, the "**D Principal Shortfall,**") 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, but net of an amount equal to the then debit balance on the E Principal Shortfall Ledger (for the purposes of Conditions 6*(c)*, *(d)* and *(e)*, the "**E Principal Shortfall**") plus interest accrued and unpaid thereon.

The A Principal Shortfall, the B Principal Shortfall, the C Principal Shortfall, the D Principal Shortfall and the E Principal Shortfall are collectively referred to in these Conditions as the "**Principal Shortfall**".

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, net of the aggregate of any Principal Shortfall existing on that Interest Payment Date, 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) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes, but net of the A Principal Shortfall, 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, but net of the B Principal Shortfall, 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, but net of the C Principal Shortfall, 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, but net of the D Principal Shortfall, 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, but net of the E Principal Shortfall, plus accrued and unpaid interest 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 Transactions*

If, at any time, one or more of the Swap Transactions 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) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes, but net of the A Principal Shortfall, 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, but net of the B Principal Shortfall, 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, but net of the C Principal Shortfall, 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, but net of the D Principal Shortfall, 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, but net of the E Principal Shortfall, plus accrued and unpaid interest 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)* and/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 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) as well as any Principal Shortfall in respect of such Note 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 and any Principal Shortfall) 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, the Principal Shortfall 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 face amount thereof on the date of issuance thereof less the aggregate amount of all Note Principal Payments in respect of such Note that have become due and payable since the Closing Date and on or prior to such date, whether or not paid). 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, Principal Shortfall and Pool Factor to be notified in writing forthwith to the Trustee, the Paying Agents, the Rating Agency, the Agent Bank and (for so long as the Notes are admitted to trading on the London Stock Exchange) the London Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding, Principal Shortfall 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, the Principal Shortfall or the Pool Factor in accordance with the preceding provisions of this paragraph, such Note Principal Payment, Principal Amount Outstanding, Principal Shortfall 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) 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, so 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 or default is made in putting the relevant Paying Agent in funds in respect thereof in accordance with the Agency Agreement, 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 Ltd 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 London. 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 a sterling account in London as referred to in Condition *7(b)* above) in London, 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 purpose of 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 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 be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.**

9. Prescription

Claims for principal in respect of Global Notes 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 in London 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 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 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 or execution 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 Eligible 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 as provided in the Trust Deed and the Issuer Security shall become enforceable.

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 Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C 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 such action is sanctioned by, or the Trustee has also 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 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 such action is sanctioned by, or the Trustee has also 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 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 such action is sanctioned by, or the Trustee has also 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 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 such action is sanctioned by, 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 Principal Amount Outstanding of each of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

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, no Class C Noteholder, no Class D Noteholder and no Class E Noteholder 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 the Deed of Charge and Assignment.

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

12. Meetings of Noteholders, Modification and Waiver

(*a*) The Trust Deed contains provisions for convening meetings of the Noteholders of any class to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of, inter alia, the removal of the Trustee, a modification of the Notes (including these Conditions) or the provisions of any of the Relevant Documents.

(*b*) An Extraordinary Resolution passed at any meeting of the Class A Noteholders 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 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.

(*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 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 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 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, as defined in the Trust Deed) 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 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 Agency has 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 the Financial Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe. Any such notice published in a newspaper as aforesaid 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, for so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, and, 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 account holders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC as aforesaid shall be deemed to have been given on the day on which it is delivered to the Depository.

(*b*) Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Amount, a Principal Amount Outstanding or a Principal Shortfall 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 admitted to trading on the London Stock Exchange) the London Stock Exchange and to Standard & Poor's Ratings Services - a division of The McGraw-Hill Companies, Inc. ("**S&P**" or the "**Rating Agency**", 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 Agency. For so long as the Notes are admitted to the Official List and the rules of the UK Listing Authority require, notice of all notices to Noteholders given in accordance with this Condition 15, shall be given to the Company Announcement Office.

(*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 *5(j)* and Condition 10, in the event that, on any Interest Payment Date, the Available Interest Receipts, after deducting the amounts referred to in items (a) to (l) 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 (m) 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**"); items (a) to (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class D Notes) (the "**Class D Interest Residual Amount**"); and items (a) to (o) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class E Notes) (the "**Class E 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 and the Class C Notes, or the Interest Amount or the Adjusted Interest Amount, as applicable, due and, subject to this Condition 16 *(a)*, payable on the Class D Notes or the Class E 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, Class C Note, Class D Note and/or, as the case may be, Class E Note, 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, Class C, Class D, Class E Notes, as the case may be, by the aggregate principal amount of the Class B, Class C, Class D or Class E Notes as at the Closing Date, as the case may be, and multiplying the result by the relevant Interest Residual Amount, and then rounding down to the nearest penny.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes, Class C Notes, Class D Notes or Class E 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, or the Interest Amount or the Adjusted Interest Amount, as applicable, due on the Class D Notes or the Class E Notes as the case may be, on that date pursuant to Condition 5. Such shortfall and any Principal Shortfall allocated to such class of Notes shall itself accrue interest at the same rate as that payable in respect of the Class B Notes, the Class C Notes, the Class D Notes or the Class E 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 in priority to the current interest due on such class or classes of Notes on such Interest Payment Date, 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 (l) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class B Notes), items (a) to (m) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class C Notes), items (a) to (n) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class D Notes) and items (a) to (o) of Clause 6.2.2 of the Deed of Charge and Assignment (in the case of the Class E Notes) respectively, are, in any such case, sufficient to make such payment. If, on the Interest Payment Date falling in July 2009, (the "**Final Interest Payment Date**") or on any earlier redemption in full of the Notes of any class, there remains such a provision for a shortfall of interest in respect of the Class D Notes or the Class E Notes, such amount will no longer be payable to the relevant Noteholders.

(*b*) Principal

Subject to Condition 6*(b)*, whilst any Class A 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 repayment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes, respectively. Subject to Condition 6*(b)*, whilst any Class B Notes are outstanding, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders will not be entitled to any repayment of principal in respect of the Class C Notes, the Class D Notes or the Class E Notes, respectively. Subject to 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

repayment of principal in respect of the Class D Notes or the Class E Notes, respectively. Subject to Condition 6*(b)*, whilst any Class D Notes are outstanding, the Class E Noteholders will not be entitled to any repayment of principal in respect of the Class E Notes.

If, on the Final Interest Payment Date or on any earlier redemption in full of the Notes of any class, there is a debit balance on the Class A Principal Shortfall Ledger, the Class B Principal shortfall Ledger, the Class C Principal Shortfall Ledger, the Class D Principal Shortfall Ledger or the Class E Principal Shortfall Ledger, as the case may be, then, notwithstanding any other provisions of these Conditions, the principal amount payable on the redemption of each Note of such class shall be its Principal Amount Outstanding net of its *pro rata* share of the then Principal Shortfall applicable to such class. None of the foregoing shall prejudice the obligation of the Issuer to apply Available Scheduled Amortisation Funds, Available Prepayment Redemption Funds and Available Final Redemption Funds in redemption in whole or in part of the Notes in accordance with Condition 6*(b)*.

(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 interest owing on the Class D Notes or the Class E Notes or principal of the Notes of any class exists on the Final Interest Payment Date or on the date of any earlier redemption in full of the Notes, or the Notes of any class, 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 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.

(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 or the Class D Notes or the Class E Notes, as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders, as the case may be, in accordance with Condition 15 and, for so long as the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are admitted to trading on the London Stock Exchange, to the London 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. Governing Law

The Trust Deed, the Deed of Charge and Assignment, the Agency Agreement, the other Relevant Documents and the Notes are governed by, and shall be construed in accordance with, English law other than the Depository Agreement and the Exchange Rate Agency Agreement, which are governed by and shall be construed in accordance with the laws of the State of New York.

19. U.S. Tax Treatment and Provision of Information

(a) It is the intention of the Issuer, each Noteholder and beneficial owner ("**Owner**") of an interest in the Notes that the Notes will be indebtedness of the Issuer for United States federal, state and local income and franchise tax purposes and for the purposes of any other United States federal, state and local tax imposed on or measured by income (the "**Intended U.S. Tax Treatment**"). To the extent applicable and absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note, or a beneficial interest therein, agree to treat the Notes, for purposes of United States federal, state and local income or franchise taxes and any other United States federal, state and local taxes imposed on or measured by income, consistent with the Intended U.S. Tax Treatment and to report the Notes on all applicable tax returns in a manner consistent with such treatment.

(b) For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or Owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or Owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be approximately £252,348,326 and this sum will be applied by the Issuer towards payment to MSDW Bank of the purchase consideration in respect of the Loans and MSDW Bank's beneficial interests in the Security Trusts comprising the Mortgages and the Related Security to be purchased on the Closing Date pursuant to the Mortgage Sale Agreement. See "The Loans, the Mortgages and the Related Security". Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by MSDW Bank.

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 a 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

Under current United Kingdom Inland Revenue practice, the Notes will be regarded as bearer securities for the purposes of section 124 of the Income and Corporation Taxes Act 1988 (**"section 124"**) notwithstanding that they are represented by Global Notes and, accordingly, as long as they are and continue to be listed on (or treated as listed on) a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the London Stock Exchange is such a "recognised stock exchange" for this purpose) interest payments on each of the Notes will be treated as interest paid on a "quoted Eurobond" within the meaning of section 124. In these circumstances payments of interest on the Notes by the Paying Agents may be made without withholding or deduction for or on account of United Kingdom income tax where:

(a) payment is made through a Paying Agent who is not in the United Kingdom; or

(b) the beneficial owner of the Notes and of the related Coupons is not resident in the United Kingdom; or

(c) the Notes are held in a "recognised clearing system", within the meaning of section 841A of the Income and Corporation Taxes Act 1988 (DTC, Euroclear and Clearstream, Luxembourg have each been designated as a recognised clearing system for this purpose);

and, conditions imposed by regulations made under the Income and Corporation Taxes Act 1988 (as amended by the Finance Act 1996) have been satisfied.

In all other cases, and in particular where the Notes are represented by registered Definitive Notes, 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.

2. Withholding tax on interest – provisions in the Finance Bill

The Finance Bill published on 29th June, 2000 contains proposed legislation which, if enacted, would have the effect that, for so long as the Notes are listed on a recognised stock exchange, there will be no obligation upon any person by or through whom a payment of interest is made to make a withholding on account of United Kingdom income tax from that payment of interest. The proposed legislation, if enacted, would have effect for payments of interest made on or after 1st April, 2001, but it cannot be stated with certainty whether the legislation will be enacted and if so in what form.

3. United Kingdom collecting agent rules

Where a Note constitutes a "quoted Eurobond" within the meaning of section 124 and a person in the United Kingdom in the course of a trade or profession either:

(a) acts as custodian of the Note and receives interest on the Note or directs that interest on the Note be paid to another person or consents to such payment; or

(b) collects or secures payment of or receives interest on a Note for a Noteholder or a Couponholder (except in any case by means only of clearing a cheque or arranging for the clearing of a cheque),

that person (a "**collecting agent**") will be required to withhold on account of United Kingdom income tax at the lower rate (currently 20 per cent.) unless inter alia:

(i) the relevant Note is held in a "recognised clearing system" as described in 2(c) above and the collecting agent either:

(a) pays or accounts for the interest directly or indirectly to the "recognised clearing system"; or

(b) is acting as depositary for the "recognised clearing system"; or

(ii) the person beneficially entitled to the interest is not resident in the United Kingdom and beneficially owns the Note; or

(iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, inter alia, none of the beneficiaries of the trust is resident in the United Kingdom); or

(iv) the person entitled to the interest is eligible for certain reliefs from tax in respect of the interest; or

(v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation.

In the case of each of the above exceptions (except (i)(b)), further administrative conditions imposed by the regulations referred to above may have to be satisfied for the relevant exception to be available.

The Finance Bill published on 29th June contains proposed legislation which, if enacted, will abolish the withholding obligations which are imposed on collecting agents as explained in the preceding paragraphs under this heading and replace those obligations with a requirement to provide information to the Inland Revenue in relation to interest payments. The proposed legislation, if enacted, will have effect for payments of interest made on or after 1st April, 2001, but it is not yet certain whether the proposed legislation will be enacted and if so in what form.

4. 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.

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).

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

As the notes may be redenominated in euro, it is expected that they 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 any of these Notes may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

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 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.

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 percent 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. Accordingly, the Class D Notes and the Class E Notes will be considered issued with OID. Subject to the following paragraph, the Class A Notes, Class B Notes and Class C Notes should not be

considered inured with OID. 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 and Mortgage 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. If OID computed as described in this paragraph is negative for any period, the United States holder generally would not be allowed a current deduction for the negative amount but instead would be entitled to offset such amount only against future positive OID from such Note.

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 qualified stated 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 an 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.

Gain or loss recognised on any Recharacterised Notes generally would be capital gain or loss. Some or all of any gain recognised by a United States holder owning at least 10% of such Notes, either directly or indirectly under certain constructive ownership rules, might be treated as ordinary income.

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 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 UK Listing Authority for listing of the Notes. However, there can be no assurance that the Notes will be listed on the Official List of the UK Listing Authority, 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% 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 percent "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, Class C Notes and Class D Notes should be treated as indebtedness under local law without any substantial equity features for purposes of the Plan Asset Regulations. By contrast, the Class E Notes may be treated as "equity interests" for purposes of the Plan Asset Regulations. Accordingly, the Class E Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

However, without regard to whether the Class A Notes, Class B Notes, Class C Notes and Class D Notes are treated as an equity interest for such purposes, the acquisition or holding of the Class A Notes, Class B Notes, Class C Notes or Class D Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction under ERISA or Section 4975 of the Code if the Issuer, MSDW Bank, the Managers, the Trustee or any of their respective affiliates is or becomes a Party in Interest with respect to such Plan. However, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the fiduciary making the decision to acquire the Class A Notes, Class B Notes, Class C Notes or Class D Notes. Included among these exemptions are Prohibited Transaction Class Exemption ("PTCE") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager", PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager", PTCE 90-1, which exempts certain transactions between insurance company separate accounts

and Parties in Interest. PTCE 91-38. which exempts certain transactions between bank collective investment funds and Parties in Interest and PTCE 95-60. which exempts certain transactions between insurance company general accounts and Parties in Interest (collectively. the "Exemptions"). Even if the conditions specified in one or more of the Exemptions are met. the scope of the relief provided by the Exemptions might or might not cover all acts which might be construed as prohibited transactions.

Nevertheless. even if an Exemption applies. a Plan generally should not purchase the Class A Notes. Class B Notes. Class C Notes or Class D Notes if the Issuer. MSDW Bank. MSDWMCI. the Managers. the Trustee. the Servicer. the Principal Paying Agent. the Cash Manager. the Operating Bank. the Agent Bank. the Exchange Agent. the Depository. the Swap Provider. the Swap Guarantor. the Liquidity Facility 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 January 5. 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 December 31. 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 December 31. 1998. the assets of an insurance company general account will not be plan assets. Nevertheless. certain assets of an insurance company general account may be considered to be plan assets. Therefore. if an insurance company acquires Notes using assets of its general account. certain of the insurance company's assets may be plan assets and the provisions of ERISA and Section 4975 of the Code could apply to such acquisition and the subsequent holding of the Notes. An insurance company using assets of its general account may not acquire Class E Notes if any of such general account assets are considered to be plan assets.

The sale of any Class A Notes. Class B Notes. Class C Notes or Class D Notes to a Plan is in no respect a representation by the Issuer. MSDW Bank. the Manager or the Trustee that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan. or that such an investment is appropriate for Plans generally or any particular Plan.

Each purchaser of the Class A Notes. Class B Notes. Class C Notes and the Class D Notes will be deemed to have represented and agreed that (i) either it is not purchasing such Notes with the assets of any Plan or that one of more exemptions applies such that the use of such assets will not constitute a prohibited transaction under ERISA or the Code. and (ii) with respect to transfers. it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan. or one or more exemptions applies such that the use of such assets will not constitute a prohibited transaction. The Class E Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code. Any Plan fiduciary that proposes to cause a Plan to purchase such instruments should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption or exemptions have been satisfied.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited, Royal Bank of Canada Europe Limited and Artesia Banking Corporation NV/SA (together, the "**Managers**"), pursuant to a subscription agreement dated 11th July, 2000 (the "**Subscription Agreement**"), between the Managers, the Issuer, MSMS and MSDW Bank agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the principal amount of such Notes. Morgan Stanley & Co. International Limited has further agreed, pursuant to the Subscription Agreement, to subscribe and pay for the Class B Notes at 100 per cent. of their principal amount, the Class C Notes at 100 per cent. of their principal amount, the Class D Notes at 95.5235 per cent of their principal amount and the Class E Notes at 81.6242 per cent. of their principal amount.

The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

United States of America

Each of the Managers has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 41 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section "Subscription and Sale", the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

In addition, 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

United Kingdom

Each of the Managers has further represented and agreed that:

(a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "**Act**") 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) or the Act;

(b) it has complied and will comply with all applicable provisions of the Act 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, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other

document required or permitted to be published by listing rules under Part IV of the Act, 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 UK Listing Authority and delivery of this document to the Registrar of Companies in England and Wales, 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 Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or an entity whose underlying assets are considered, for any purpose of ERISA or Section 4975 of the Code, to be assets of any Plan by reason of any Plan's investment in the entity (a "**Plan Asset Entity**") or (ii) the purchaser is acquiring its interest in the Class A Notes, Class B Notes, Class C Notes or Class D Notes and the acquisition and holding of such interest by the purchaser is not prohibited by either Section 406 of ERISA or Section 4975 of the Code, by reason of the application of PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 to such acquisition and holding 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 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, by reason of the application of PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 to such acquisition and holding.

(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, the Arranger, the Co-Arranger 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 Arranger. 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 11th July, 2000.

2. It is expected that listing of the Notes on the Official List of the UK Listing Authority will be granted on or about 12 July, 2000, 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. Prior to official listing, however, dealings in the Notes will be permitted by the London Stock Exchange in accordance with its rules.

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 A	011330517	XS0113305170	29878XAA3	011330681	XS0113306814
Class B	011330690	XS0113306905	29878XAB1	011330703	XS0113307036
Class C	011330754	XS0113307549	29878XAC9	011330762	XS0113307622
Class D	011330789	XS0113307895	29878XAD7	011330819	XS0113308190
Class E	011330835	XS0113308356	29878XAE5	011330860	XS0113308604

4. No statutory or non-statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the UK Listing Authority, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent. 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 in the recent past (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 a Subscription Agreement and an Agency Agreement being contracts 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 152(1)(e) of the Financial Services Act 1986.

8. Ernst & Young, auditors of the First Principal Borrowers, has given and not withdrawn its written consent to the inclusion of its reports 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 152(1)(e) of the Financial Services Act 1986.

9. Deloitte & Touche, auditors of the Second Principal Borrower, has given and not withdrawn its written consent to 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 152(1)(e) of the Financial Services Act 1986.

10. Save as disclosed herein, since 21st June, 2000 (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 Denton Wilde Sapte at 1 Fleet Place, London EC4M 7WS 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 11th July, 2000 and the auditors report thereon;

(iii) the Subscription Agreement and the Agency Agreement referred to in paragraph 6 above;

(iv) drafts (subject to modification) of the following documents:

(a) the Trust Deed;

(b) the Mortgage Sale Agreement;

(c) the Deed of Charge and Assignment;

(d) the Share Declaration of Trust;

(e) the Servicing Agreement;

(f) the Cash Management Agreement;

(g) the Swap Agreement and the Swap Guarantee;

(h) the Issuer Corporate Services Agreement;

(i) the Parent Company Corporate Services Agreement;

(j) the Liquidity Facility Agreement;

(k) the Depository Agreement;

(l) the Exchange Rate Agency Agreement; and

(m) the Master Definitions Agreement; and

(v) a copy of the 1995 ISDA Credit Support Annex (Bilateral Form –Transfer).

12. 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 Denton Wilde Sapte at 1 Fleet Place, London EC4M 7WS during the period of fourteen days from the date of this document:

(a) the Memorandum and Articles of Association of the First Principal Borrowers and the Second Principal Borrower;

(b) copies of the documents referred to as the Four Seasons Documents and the Orb Documents are set out in Appendix 1; and

(c) copies of the auditors' reports for the First Principal Borrowers and the Second Principal Borrowers.

APPENDIX 1

THE PRINCIPAL BORROWERS

THE FIRST PRINCIPAL BORROWERS

The aggregate amount of the two Loans to the First Principal Borrowers constitutes approximately 33 per cent. of the Loan and Mortgage Pool. (calculated by reference to the principal balance of the Loan and Mortgage Pool as of the Cut-Off Date).

1. Constitution and Registered Office

The Loans comprise two separate loans made to two borrowers, namely a loan of £65,600,000 to Four Seasons Health Care Properties (Care Homes) Limited ("**Care Homes**") and a loan of £18,400,000 to Four Seasons Health Care Properties (Specialist) Limited ("**Specialist**"). Care Homes and Specialist are both private limited companies registered in England and Wales under the Companies Act 1985 under numbers 3934732 and 3936017 respectively. Both Care Homes and Specialist are ultimate subsidiaries of Four Seasons Health Care Holdings Plc.

The obligations of Care Homes and Specialist under each of the Loans are fully cross collateralised in all material respects. Each of Care Homes and Specialist has guaranteed the liabilities of the other to MSDW Bank (previously MSDWMCI prior to the novation of the Four Seasons Loan to MSDW Bank) and charged all their respective assets as security for such liabilities in favour of MSMS (in its capacity as Security Trustee). The two Loans are therefore treated as one Loan for the purpose of this Offering Circular and are together referred to as the "**Four Seasons Loan**".

Care Homes was incorporated on 28th February 2000 and Specialist was incorporated on 29th February 2000. The registered office of both Care Homes and Specialist is Emerson Court, Alderley Road, Wilmslow, Cheshire SK9 1NX.

2. Directors

The Directors of both Care Homes and Specialist are Graeme Willis, Hamilton Douglas Anstead and Geoffrey Michael Crowe. Magdy Ishak is a director of Specialist only. The home address and business occupation of the directors are:

Name	Address	Principal Activities
Graeme Willis	13 Rockmount Close Saintfield Belfast Northern Ireland	No significant activities outside the group of which the Borrower is part
Hamilton Douglas Anstead	Beech Acre Nurton Hill Road Pattingham Wolverhampton	No significant activities outside the group of which the Borrower is part
Geoffrey Michael Crowe	51 Oakwood Lane Bowden Altringham Cheshire	No significant activities outside the group of which the Borrower is part
Magdy Ishak-Hanna	Shoubra 8a Camstradon Drive Glasgow	No significant activities outside the group of which the Borrower is part

3. Group Structure

Both Care Homes and Specialist are ultimate subsidiaries of Four Seasons Health Care Holdings Plc (formerly Carat Secre plc) ("**Four Seasons Parent**"). Four Seasons Parent is a public limited company incorporated in England and Wales under registered number 3806216. Four Seasons Parent and all its subsidiaries are collectively referred to in this Offering Circular as the "**Four Seasons Group**".

The Four Seasons Loan was applied towards the purchase (from other companies within the Four Seasons Group) of various properties situated in England, Scotland, Northern Ireland and the Isle of Man (the '**Four Seasons Properties**"). Immediately following acquisition of the Four Seasons Properties, 25 year leases on full repairing and insuring bases (the '**Operating Leases**") were granted to one of the following operating companies (together the "**Operating Companies**") namely Four Seasons Health Care (England) Limited ("**FSHC England**"), Four Seasons Health Care (Scotland) Limited ("**FSHC Scotland**"), Four Seasons Health Care (Northern Ireland) Limited ("**FSHC NI**"), Four Seasons Health Care (Isle of Man) Limited ("**FSHCIOM**") and Huntercombe Manor Limited ("**Huntercombe**"). The identity of the relevant Operating Company was determined by reference to the location of the Four Seasons Properties. The rents payable by the Operating Companies under the terms of the Operating Leases were agreed between the First Principal Borrowers and MSDWMCI and are reviewable at 5 yearly intervals on an upwards only basis.

All the Operating Companies are limited liability companies and are ultimate subsidiaries of the Four Seasons Parent. Except for Huntercombe, which is incorporated in England and Wales and FSHC Scotland which is incorporated in Scotland the Operating Companies are all incorporated in the Isle of Man. The Operating Companies carry out the business of operating nursing, residential and specialist care home facilities at the Four Seasons Properties.

The consideration for the purchase of the Four Seasons Properties was provided by the Four Seasons Loan and from other Four Seasons Group companies (see below "Loan Capital").

General Information

Financial Statements

Since the date of incorporation, no accounts have been filed or are publicly available in respect of the First Principal Borrowers. The First Principal Borrowers are required to prepare annually full statutory audited accounts.

Since 28 February 2000 and 29 February 2000, being the respective dates of incorporation of Care Homes and Specialist, there has been no adverse change in the financial position or prospects of the First Principal Borrowers and there has been no change in their trading or financial position.

Principal Activities

The sole activities of the First Principal Borrowers are those of an investment company and consist of borrowing money under the Four Seasons Loan and from other Four Seasons Group companies (see below "Loan Capital") for the purpose for acquiring the Four Seasons Properties. Neither of the First Principal Borrowers has engaged, since their incorporation, in any activities other than those incidental to their incorporation, entering into the Four Seasons Loan, acquiring the Four Seasons Properties and such matters which are incidental or ancillary to foregoing.

Capitalisation/Indebtedness

The unaudited capitalisation of the First Principal Borrowers as at the date of this Offering Circular is as follows:

Share Capital

Company	Authorised Share Capital £	Issued Share Capital £
Care Homes	1,000	1
Specialist	1,000	1
Total	2,000	2

The issued share capital is fully paid up.

Loan Capital

The outstanding loan capital of the First Principal Borrowers consist of:

(a) £84,000,000 drawn on 14th April 2000 under the Four Seasons Loan from MSDWMCI secured on the Four Seasons Properties;

(b) the sum of £24,827,204 outstanding from Care Homes to FSHCP in respect of deferred consideration arising from the purchase by Care Homes of certain properties from Four Seasons Health Care Properties Limited ("**FSHCP**"); and

(c) the sum of £1,881,662 outstanding from Specialist to Huntercombe in respect of deferred consideration arising from the purchase by Specialist of certain properties from Huntercombe.

Except as set out in Appendix 1, none of the First Principal Borrowers has any outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has either created any other mortgages or charges nor has either given any guarantees as at the drawdown date.

All the loans and deferred consideration referred to above are fully subordinated and postponed to all monies due from the First Principal Borrowers to MSDW Bank under the Four Seasons Loan pursuant to one or other of the subordination agreements referred to under "The Four Seasons Documents" below.

Under the Four Seasons Documents, the First Principal Borrowers have covenanted that, save in respect of liabilities under the loans referred to in (b) and (c) above and the deferred consideration referred to in (d) and (e) above (all of which are subordinated to MSDW Bank under subordination agreements), the First Principal Borrowers shall not borrow any moneys or incur any indebtedness of whatever nature from or to any person, save for normal outgoings directly associated with the ownership and management of the Four Seasons Properties charged as security. The Issuer is not aware of any breach of these covenants. There has been no material change in the capitalisation or indebtedness or contingent liabilities or guarantees of the First Principal Borrowers since the date of drawdown of the Four Seasons Loan.

Subsidiaries

Neither of the First Principal Borrowers have any subsidiaries.

Recent Developments

Save as disclosed in this Appendix 1 under "The First Principal Borrowers", there has been no material change in the financial position or prospects of the First Principal Borrowers and no significant change in their trading or financial position since the date each was incorporated.

4. Terms of the Four Seasons Loan

The Four Seasons Documents

The following constitute the principal loan and security documents for the Four Seasons Loan and are referred to collectively as the "**Four Seasons Documents**". The documents listed are for all material purposes consistent with the descriptions set out under "The Loans, The Mortgages and The Related Security" unless otherwise described in this Appendix 1:

(a) the Loan Agreement dated 14th April 2000 between MSDWMCI, MSMS and Care Homes;

(b) the Loan Agreement dated 14th April 2000 between MSDWMCI, MSMS and Specialist;

(c) the Debenture dated 14th April 2000 between Care Homes and MSMS;

(d) the Debenture dated 14th April 2000 between Specialist and MSMS;

(e) the Guarantee dated 14th April 2000 from Specialist in favour of MSMS;

(f) the Guarantee dated 14th April 2000 from Care Homes in favour of MSMS;

(g) Scottish Standard Securities dated 14th April 2000 between Care Homes and MSMS;

(h) Isle of Man Deeds of Conditional Bond and Security dated 14th April 2000 between Care Homes and MSMS;

(i) Northern Irish Mortgages dated 7th July 2000 between Care Homes and MSMS;

(j) the Equipment Mortgage dated 14th April 2000 between FSHC England and MSMS;

(k) the Equipment Mortgage dated 14th April 2000 between Huntercombe and MSMS;

(l) the Scottish Floating Charge dated 14th April 2000 between FSHC Scotland and MSMS;

(m) the Isle of Man Equipment Mortgage dated 14th April 2000 between FSHCIOM and MSMS;

(n) the Northern Irish Equipment Mortgage dated 7th July . 2000 between FSHC NI and MSMS;

(o) the Subordination Agreement dated 14th April 2000 between FSHCP, FSHCIOM, Care Homes, MSDWMCI and MSMS;

(p) the Subordination Agreement dated 14th April 2000 between Four Seasons Group Limited, FSHCP, Huntercombe, Specialist, MSDWMCI and MSMS;

(q) the Share Charge dated 14th April 2000 between FSHCP and MSMS;

(r) the Share Charge dated 14th April 2000 between Four Seasons Group Limited and MSMS; and

(s) the Transfer Certificates both dated 28th June 2000 between MSDWMCI and MSDW Bank.

Copies of the Four Seasons Documents may be inspected during usual business hours and any week day (excluding Saturdays, Sundays and public holidays) at the London offices of Denton Wilde Sapte, 1 Fleet Place, London EC4M 7WS during the period of 14 days of the date of this Offering Circular.

5. Amount and Term

The aggregate amount of the Four Seasons Loan is £84,000,000. The final repayment date is 18th April 2007 and interest and certain capital amortisation payments are payable quarterly at a fixed rate on the 18th day of January, April, July and October. The first such payments fall due on 18th July 2000.

6. Bank Accounts

A bank account was established by each of Care Homes and Specialist (the **"Four Seasons Rent Accounts"**) to receive amounts payable by the Operating Companies under the Operating Leases. Each of the Four Seasons Rent Accounts is charged by way of first fixed security in favour of MSDW Bank.

Each of Care Homes and Specialist has covenanted to ensure that all Rental Income in respect of the Four Seasons Properties is paid into the relevant Four Seasons Rent Account (see above "The Structure of the Accounts, the Rent Accounts"). In the event one or more of the Four Seasons Properties is disposed of by either Specialist or Care Homes an amount equal to 120 per cent. of the principal amount initially advanced by MSDWMCI in respect of the relevant Four Seasons Property/Properties is required to be credited to the Sales Account.

MSDW Bank is the sole signatory authorised to effect withdrawals from the Sales Account.

Purpose

The proceeds of the Four Seasons Loan were applied towards the purchase of the Four Seasons Properties and which are referred to in the table above under the heading "The Loan and Mortgage Pool". Care Homes and Specialist each granted to MSMS (in its capacity as security trustee) a first fixed legal charge over the relevant Four Seasons Properties owned by them in addition to fixed and floating charges over the other assets. Each of the Operating Companies (except for FSHC Scotland which for reasons of Scots law has only granted a floating charge) granted first fixed charges over the equipment used in the operation of their business and located on the Four Seasons Properties.

The terms of the Four Seasons Documents provide that substitution of one or more of the Four Seasons Properties may be made with MSDW Bank's prior written consent, such consent not to be unreasonably withheld provided that:

(a) the value or aggregate value of any properties released does not exceed £8,210,000 (in the case of Care Homes) or £2,302,000 (in the case of Specialist);

(b) any additional property is similar in nature and quality to that substituted;

(c) the Net Rental Income attributable to any additional property is at least equal to that in respect of the property substituted; and

(d) no Event of Default would occur under the Four Seasons Documents and the provisions of such are not breached as a result of the proposed substitution.

In all other cases substitution is in the absolute discretion of MSDW Bank.

The Four Seasons Properties

Certain characteristics of the Four Seasons Properties are set out in the tables above under the heading "The Loan and Mortgage Pool". Each of Care Homes and Specialist have the right to substitute certain Properties pursuant to the terms of the Four Seasons Loan, which substitution must comply with the

substitution criteria set out above under the heading "Purpose". As of the date of this Offering Circular, no substitution has taken place, and the Issuer has not received notice of any intended substitution.

Litigation

Neither of the First Principal Borrowers is, and neither has been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the First Principal Borrowers are aware) which may have, or have had in the recent past (since the date each of the First Principal Borrowers was incorporated), a significant effect on the First Principal Borrowers financial position.

Auditors Report

The following is the text of two reports received by the directors of Care Homes and Specialist respectively from Ernst & Young who are the registered auditors and reporting accountants to Care Homes and Specialist. Those reports are in respect of the period from the respective dates of incorporation of each of Care Homes and Specialist to 14 April, 2000. These have been extracted, without material adjustment, from the non-statutory accounts of each of Care Homes and Specialist for the period specified. The page numbers referred to in the following text, are to the page numbers of those non-statutory accounts and not to page numbers of this Offering Circular. Since the date of their respective incorporation, no accounts have been filed or are publicly available in respect of either Care Homes or Specialist. Both Care Homes and Specialist are required to prepare annually full statutory audited accounts.

"REPORT OF THE AUDITORS
to the directors of Four Seasons Health Care Properties (Care Homes) Limited.

We have audited the financial statements set out on pages 4 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable accounting standards. It is our responsibility to form an independent opinion, based on our audit on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 14 April 2000.

Ernst & Young
Belfast
11 July 2000

BALANCE SHEET

	Notes	*14 April 2000* £
FIXED ASSETS		
Tangible assets	3	90.427.204
CURRENT ASSETS		
Debtors - amounts owed by parent undertaking		1
CREDITORS: amounts falling due within one year		-
NET CURRENT ASSETS		1
TOTAL ASSETS LESS CURRENT LIABILITIES		90.427.205
CREDITORS: amounts falling due after more than one year		
Bank Loan	4	65.600.000
Amount owed to parent undertaking	5	24.827.204
		90.427.204
TOTAL ASSETS LESS LIABILITIES		1
CAPITAL AND RESERVES		
Share capital	6	1
Revenue reserves	2	-
EQUITY SHAREHOLDERS' FUNDS	7	1

G Willis
Director

11 July 2000

NOTES TO THE ACCOUNTS

1. Accounting Policies

The company's main accounting policies are as follows.

Basis of preparation
The financial statements are non statutory and have been prepared solely for inclusion in this Offering Circular under the historical cost convention and in accordance with applicable accounting standards.

Properties
Land and buildings
The group's health care facilities are stated at cost or fair value in the case of acquisitions.

Land and buildings under construction
Land and buildings in the course of construction are included at cost together with the finance cost incurred until the date of registration. Following completion of the period of construction, the assets are included with other land and buildings.

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings - over 50 years

Equipment and fixtures - from 2 to 15 years

Interest capitalised
Interest on loans and financing costs relating to assets under construction is capitalised until the date of registration of the new health care facility. All other interest is written off to the profit and loss account as incurred.

Taxation
The group's policy is not to charge for group relief.

Cash Flow
As a wholly owned subsidiary of Four Seasons Health Care Holdings Limited which prepares group accounts, the company is exempt under FRS1 from preparing a statement of cash flows.

Turnover
Turnover represents the rental income falling due under the terms of the leases to the operating companies. All turnover arises from continuing operations in the United Kingdom and the Isle of Man and is attributable to the letting out of properties for health care activities.

2. Profit and Loss Account

The company was incorporated on 28 February 2000. On 14 April 2000, it acquired health care facilities from other group companies at the higher of estimated realisable value and cost. These accounts are prepared for the period since incorporation to 14 April 2000, the company did not trade during that period and accordingly no profit and loss account has been prepared.

3. Tangible Fixed Assets

	Land and buildings £	*Equipment and fixtures* £	*Total* £
COST OR FAIR VALUE:			
At 28 February 2000	-	-	-
Intragroup transfers	94.379.559	3.551.749	97.931.308
At 14 April 2000	94.379.559	3.551.749	97.931.308
DEPRECIATION:			
At 28 February 2000	-	-	-
Intragroup transfers	5.828.667	1.675.437	7.504.104
charged during the period	-	-	-
At 14 April 2000	5.828.667	1.675.437	7.504.104
NET BOOK VALUE:			
At 14 April 2000	88.550.892	1.876.312	90.427.204

At 14 April 2000, the group owned all its health care facilities.

The amount of land, which is not depreciated, amounted to £1.699.000 at 14 April 2000.

Intra-group finance costs included in land and buildings, (including buildings under construction) at 14 April 2000 totalled £3.433.000.

4. Creditors: amounts falling due after more than one year

Bank Loans

	14 April 2000 £
Bank loans due between one and two years	1.602.900
Bank loans due between two and five years	6.411.600
Bank loans due in five years or more	57.585.500
	65.600.000

The bank loans are secured by the charges referred to in note 9.

5. Amount Owed to fellow subsidiary Undertaking

Under the terms of the £84 million facility agreement entered into by the company and Four Seasons Health Care (Specialist) Limited, the company is party to a subordination deed whereby the intra group liabilities are sub-ordinated to the liabilities owed to Morgan Stanley Bank.

6. Share Capital

	14 April 2000
	£
Authorised	1,000
Allotted and fully paid ordinary shares of £1 each	1

During the period, one share was allotted as a result of the incorporation of the company.

7. Reconciliation of Movements in Shareholders Funds

	14 April 2000
	£
New shares issued	1
SHAREHOLDERS FUNDS AT 14 APRIL 2000	1

8. Capital Commitments

The company had no capital commitments at 14 April 2000.

9. Contingent Liability

Under the terms of the £84 million facility agreement entered into by the company and Four Seasons Health Care Properties (Specialist) Limited used to acquire the properties and to provide working capital for the Four Seasons Group Limited sub group of companies, the company granted the following charges in favour of Morgan Stanley Mortgage Servicing Limited as security trustee:

- a first fixed charge on all the company's right, title and interest from time to time in real property, tangible moveable property, intellectual property, goodwill, investments and shares.
- a floating charge over the whole of the company's undertaking and assets, present and future, other than assets assigned by way of fixed security in favour of the security trustee.
- a cross guarantee of the obligations of Four Seasons Health Care Properties (Specialist) Limited under the above facility agreement.

10. Ultimate Parent Undertaking

The immediate parent company is Four Seasons Health Care Properties Limited, a company incorporated in the Isle of Man. The ultimate parent undertaking is Four Seasons Health Care Limited, a company incorporated in England and Wales.

11. Related Party Transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with those related parties that are companies within the Four Seasons Health Care Limited group.

REPORT OF THE AUDITORS
to the directors of Four Seasons Health Care Properties (Specialist) Limited

We have audited the financial statements on pages 4 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable accounting standards. It is our responsibility to form an independent opinion, based on our audit on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established by the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 14 April 2000.

Ernst & Young
Belfast
11 July 2000

BALANCE SHEET

	Notes	*14 April 2000* £
FIXED ASSETS		
Tangible assets	3	20,281,662
CURRENT ASSETS		
Debtors - amounts owed by parent undertaking		1
CREDITORS: amounts falling due within one year		-
NET CURRENT ASSETS		1
TOTAL ASSETS LESS CURRENT LIABILITIES		20,281,663
CREDITORS: amounts falling due after more than one year		
Bank Loan	4	18,400,000
Amount owed to fellow subsidiary undertaking	5	1,881,662
		20,281,662
TOTAL ASSETS LESS LIABILITIES		1
CAPITAL AND RESERVES		
Share capital	6	1
Revenue reserves	2	-
EQUITY SHAREHOLDERS' FUNDS	7	1

G Willis
Director
11 July 2000

NOTES TO THE ACCOUNTS

1. Accounting Policies

The company's main accounting policies are as follows.

Basis of preparation
The financial statements are non statutory and have been prepared solely for inclusion in this Offering Circular under the historical cost convention and in accordance with applicable accounting standards.

Properties
Land and buildings
The group's health care facilities are stated at cost or fair value in the case of acquisitions.

Land and buildings under construction
Land and buildings in the course of construction are included at cost together with the finance cost incurred until the date of registration. Following completion of the period of construction, the assets are included with other land and buildings.

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings - over 50 years

Equipment and fixtures- from 2 to 15 years

Interest capitalised
Interest on loans and financing costs relating to assets under construction is capitalised until the date of registration of the new health care facility. All other interest is written off to the profit and loss account as incurred.

Taxation
The group's policy is not to charge for group relief.

Cash Flow
As a wholly owned subsidiary of Four Seasons Health Care Holdings Limited which prepares group accounts, the company is exempt under FRS1 from preparing a statement of cash flows.

Turnover
Turnover represents the rental income falling due under the terms of the leases to the operating companies. All turnover arises from continuing operations in the United Kingdom and the Isle of Man and is attributable to the letting out of properties for health care activities.

2. Profit and Loss Account

The company was incorporated on 29 February 2000. On 14 April 2000, it acquired health care facilities from other group companies at the higher of estimated realisable value and cost. These accounts are prepared for the period since incorporation to 14 April 2000, the company did not trade during that period and accordingly no profit and loss account has been prepared.

3. Tangible Fixed Assets
Group

	Land and buildings £	*Equipment and fixtures* £	*Total* £
COST OR FAIR VALUE:			
At 29 February 2000	-	-	-
Intragroup transfers	20.150.645	131.017	20.281.662
At 14 April 2000	20.150.645	131.017	20.281.662

DEPRECIATION:			
At 29 February 2000	-	-	-
Intragroup transfers	-	-	-
Charged during the period	-	-	-
At 14 April 2000	-	-	-
NET BOOK VALUE:			
At 14 April 2000	20.150.645	131.017	20.281.662

At 14 April 2000, the group owned all its health care facilities.

4. **Creditors**: amounts falling due after more than one year

Bank Loans	*14 April 2000* £
Bank loans due between one and two years	452.100
Bank loans due between two and five years	1.808.400
Bank loans due in five years or more	16.139.500
	18.400.000

The bank loans are secured by the charges referred to in note 9.

5. **Amount owed to fellow subsidiary undertaking**

Under the terms of the £84 million facility agreement entered into by the company and Four Seasons Health Care (Care Homes) Limited, the company is party to a subordination deed whereby the intra group liabilities are sub-ordinated to the liabilities owed to Morgan Stanley bank.

6. **Share capital**

	14 April 2000 £
Authorised	1.000
Allotted and fully paid ordinary shares of £1 each	1

During the period, one share was allotted as a result of the incorporation of the company.

7. Reconciliation of movements in shareholders funds

	14 April 2000 £
New shares issued	1
SHAREHOLDERS FUNDS AT 14 APRIL 2000	1

8. Capital commitments

The company had no capital commitments at 14 April 2000.

9. Contingent liability

Under the terms of the £84 million facility agreement entered into by the company and Four Seasons Health Care Properties (Care Homes) Limited used to acquire the properties and to provide working capital for the Four Seasons Group Limited sub group of companies, the company granted the following charges in favour of Morgan Stanley Mortgage Servicing Limited as security trustee:

- a first fixed charge on all the company's right, title and interest from time to time in real property, tangible moveable property, intellectual property, goodwill, investments and shares.
- a floating charge over the whole of the company's undertaking and assets, present and future, other than assets assigned by way of fixed security in favour of the security trustee.
- a cross guarantee of the obligations of Four Seasons Health Care Properties (Care Homes) Limited under the above facility agreement.

10. Ultimate parent undertaking

The immediate parent company is Four Seasons Group Limited, a company incorporated in the Isle of Man. The ultimate parent undertaking is Four Seasons Health Care Limited, a company incorporated in England and Wales.

11. Related Party Transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with those related parties that are companies within the Four Seasons Health Care Limited group."

THE SECOND PRINCIPAL BORROWER

The Loan to the Second Principal Borrower, Orb (Lexham) Limited, (the "**Orb Loan**") constitutes 15 per cent. of the Loan and Mortgage Pool (calculated by reference to the principal balance of the Loan and Mortgage Pool as of the Cut-Off Date).

1. Constitution and Registered Office

The Second Principal Borrower is a private limited company incorporated in England and Wales under the Companies Act 1985 with registered number 3926190. It was previously know as Graphicstem Limited. Its registered office is situated at Albemarle House, 1 Albemarle Street, London W1X 3HF. It was incorporated on 15th February 2000.

2. The Directors

The sole Director of the Second Principal Borrower is Charles Osborne Helvert, whose address is 6 Westwood Close, Esher, Surrey KT10 9UF. His occupation is as an Accountant and he holds directorships in a number of other companies.

3. General Information

Principal Activities

The sole activities of the Second Principal Borrower consist of borrowing money under the Orb Loan made available to it by MSDWMCI (and subsequently novated to MSDW Bank) for the purpose of acquiring the Properties charged as security under the terms of the Orb Loan (the "**Orb Properties**"). The Second Principal Borrower has not engaged, since its formation or incorporation, in any activities other than those incidental to its formation or incorporation, entering into the Orb Loan, acquiring the Orb Properties and such matters which are incidental or ancillary to the foregoing.

Financial Statements

Since the date of incorporation or constitution, no accounts have been filed or are publicly available in respect of the Second Principal Borrower. The Second Principal Borrower is, however, required to prepare annually full statutory audited accounts.

Save as otherwise disclosed in this Appendix 1, since 15th February 2000, being the date of incorporation of the Second Principal Borrower, there has been no material adverse change in the financial position or prospects of the Second Principal Borrower (or any subsidiary) and there has been no change in the trading or financial position of the Second Principal Borrower.

As at the date of this Offering Circular:

Capitalisation/Indebtedness

Share Capital

Authorised Share Capital £	Number of Shares	Value of Each Share £	Issued Share Capital £
1,000	1,000	1	1

Issued share capital is fully paid up.

The issued share capital is owned by Orb Estates plc (registered in England and Wales, No. 00552331).

Loan Capital

The outstanding loan capital of the Second Principal Borrower as at the drawdown date of 31st March 2000, consists of the sum of £38,591,250 outstanding under the Orb Loan secured on the Properties.

Except as set out in Appendix 1, the Second Principal Borrower has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and it has not created any other mortgages or charges nor has it given any guarantees as at the drawdown date.

Under the Orb Loan Documents, the Second Principal Borrower has covenanted that, save in respect of any monies borrowed from its shareholder from time to time, all of which are to be subordinated to MSDW Bank under a Subordination Agreement, the Second Principal Borrower shall not borrow any other monies or incur any other indebtedness of whatever nature from or to any other persons. The Issuer is not aware of any breach of these covenants.

Save as disclosed in this Appendix 1 under "The Second Principal Borrower" there has been no material change in the financial position or prospects of the Second Principal Borrower and no significant change in its trading or financial position or prospects since the date of its incorporation.

There has been no material change in the capitalisation or indebtedness or contingent liabilities or guarantees of the Second Principal Borrower since the date of drawdown of the Orb Loan.

Subsidiaries

The Second Principal Borrower has no subsidiaries. The Second Principal Borrower is a wholly owned subsidiary of Orb Estates plc (which has entered into a Share Charge in respect of its shares (being the entire issued share capital of the Second Principal Borrower), see below).

4. Terms of the Orb Loan

Orb Loan Documents

The following constitute the principal loan and security documents for the Orb Loan and are referred to as the "**Orb Loan Documents**" The documents listed are for all material purposes consistent with the descriptions set out under "The Loans, The Mortgages and The Related Security "unless otherwise described in this Appendix 1:

(a) the Credit Agreement drawn on 31st March 2000 dated 31st March 2000 between MSDWMCI, MSMS and the Second Principal Borrower;

(b) the Debenture dated 31st March 2000 between the Second Principal Borrower and MSMS;

(c) the Share Charge dated 31st March 2000 between Orb Estates plc and MSMS;

(d) the Transfer Certificate dated 28th June 2000 between MSDWMCI and MSDW Bank; and

(e) the Subordination Agreement dated 5th July, 2000 between Orb Estates plc, the Second Principal Borrower, MSDW Bank and MSMS.

Copies of the Orb Loan Documents may be inspected during the usual business hours on any week day (excluding Saturdays, Sundays and Public Holidays) at the London offices of Denton Wilde Sapte, 1 Fleet Place, London EC4M 7WS during the period of 14 days from the date of this Offering Circular.

Amount and Term

The amount of the Orb Loan is £38,591,250. The final repayment date is 18th July 2007 and interest and certain capital amortisation payments are payable quarterly at a fixed rate on the 18th day of January, April, July and October.

Bank Accounts

Bank accounts were established for the purpose of receiving/holding monies in respect of the Orb Loan transaction and each of those accounts is charged by way of first fixed security in favour of MSMS in its capacity as Security Trustee.

The Second Principal Borrower has covenanted to ensure that all Rental Income in respect of the Orb Properties is paid into a Rent Account in the name of the Second Principal Borrower (see "The Structure of the Accounts, the Rent Accounts" above). In the event one or more of the Orb Properties is disposed of, the Second Principal Borrower is required to credit the net proceeds of sale to a Sales Account kept in its name. The Borrower will not be required in such circumstances to provide an Additional Charge over a further property if the net sale proceeds exceed or are equal to 125% of the principal amount initially advanced by MSDWMCI in respect of the relevant Property or Properties (see "Substitution" below). The Second Principal Borrower is also required to maintain a Retention Account with a minimum balance of £1,538,047 to be used for meeting any shortfall in monies standing to the credit of the Rent Account on an interest payment date. Any monies drawn from the Retention Account are to be replenished from subsequent Net Rental Income.

MSDW is the sole signatory authorised to effect withdrawals from each of the Rent Account, Retention Account and Sales Account referred to above.

Purpose

The proceeds of the Orb Loan were applied towards financing the purchase of the Orb Properties which are situated in England and which are referred to in the tables above under the heading "The Loan and Mortgage Pool". The Second Principal Borrower granted to MSMS (in its capacity as Security Trustee) a first fixed legal charge over the Orb Properties in addition to fixed and floating charges over its other assets.

Substitution of Properties

Substitution of Properties is permitted in line with the Criteria set out under "The Loans, the Mortgages and the Related Security, Disposals and Substitutions of Properties".

Provided that there is no subsisting Default, the Interest Cover Percentage is no less than 125 per cent. and various other tests are met, the Borrower may request the Lender to release a Property from the Debenture (or any Additional Charge) and that as alternative security the Lender be given an Additional Charge over Additional Property.

The consent of the Lender to such substitution shall not be unreasonably withheld provided that the aggregate value of the Properties already released, and the Property proposed to be released does not exceed £7,718,250; if the aggregate value exceeds such amount any substitution shall be at the absolute discretion of the Lender.

As at the date of this Offering Circular, no such substitution has taken place, and the Issuer has not received notice of any intended substitution.

Litigation

The Second 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 Second Principal Borrower is aware) which may have, or have had in the recent past (since the date of its incorporation), a significant effect on the Second Principal Borrowers financial position.

Auditors Report

The following is the text of a report, without material adjustment, received by the director of the Second Principal Borrower from Deloitte & Touche who are the auditors to the Second Principal Borrower. The page numbers referred to in the following text, are to the page numbers of the report and not to page numbers of this Offering Circular.

"AUDITORS' REPORT TO THE DIRECTOR OF ORB (LEXHAM) LIMITED

We have audited the interim accounts on pages 2 to 6 which have been prepared under the accounting policies set out on page 3.

Respective responsibilities of director and auditors

In preparing the interim accounts, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the interim accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the interim accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the interim accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 interim accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the interim accounts.

Opinion

In our opinion the interim accounts give a true and fair view of the state of the company's affairs as at 31 March 2000 and of the result for the period from incorporation on 15 February 2000 to 31 March 2000.

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR
11 July 2000

ORB (LEXHAM) LIMITED
BALANCE SHEET
At 31 March 2000

	Note	£
FIXED ASSETS		
Investment properties	3	51,835,000
CURRENT ASSETS		
Retention bank account	4	1,538,047
CREDITORS: amounts falling due within one year	5	(15,441,836)
NET CURRENT LIABILITIES		(13,903,789)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,931,211
CREDITORS: amounts falling due after more than one year	6	(37,931,210)
		1
CAPITAL AND RESERVES		
Called up share capital	7	1
Profit and loss account		-
Equity shareholder's funds	8	1

These interim accounts were approved and signed by the sole director on 11 July 2000.

C O Helvert
Director

1. **ACCOUNTING POLICIES**

The company was incorporated as Graphicstem Limited on 15 February 2000, and changed its name to Orb (Lexham) Limited on 17 March 2000. These interim accounts are prepared for the period since incorporation to 31 March 2000. The company acquired its assets and liabilities on 31 March 2000.

The interim accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The interim accounts are non-statutory. The significant accounting policies adopted by the company are as set out below:

Loan issue costs

Costs relating to the raising of general corporate loan facilities are amortised over the estimated life of the loan and charged to the profit and loss account as part of interest expense. The loans are disclosed net of unamortised loan issue costs.

Investment properties

Investment properties are revalued at each financial year end (30 June) by independent professional valuers. The aggregate surplus or deficit is transferred to revaluation reserve except for permanent diminutions in value below cost, which are written off to profit and loss account. No depreciation is provided in respect of investment properties. The requirement in the Companies Act 1985 that all properties should be depreciated conflicts with the generally

accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. In the opinion of the director, to depreciate investment properties would not give a true and fair view and accordingly investment properties are included in the annual accounts at open market value. The effect of depreciation of value is already reflected annually in the valuation of properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences to the extent that it is probable that liabilities will arise in the foreseeable future.

2. PROFIT AND LOSS ACCOUNT

The company has not traded during the period since incorporation accordingly no profit and loss account has been prepared. At 31 March 2000, Orb (Lexham) Limited had not engaged in any activities other than those incidental to its formation or incorporation, entering into the loans with Morgan Stanley Dean Witter, acquiring investment properties from other Orb Estates PLC group subsidiaries, and such matters which are incidental or ancillary to the foregoing. The company had no employees other than the directors during the period.

3. INVESTMENT PROPERTIES

	Freehold investment properties £	Long leasehold investment properties £	Total £
Cost			
At 15 February 2000	-	-	-
Additions at cost	51,715,000	120,000	51,835,000
At 31 March 2000	51,715,000	120,000	51,835,000

The investment properties, which were acquired on 31 March 2000, are recorded at cost to the company, and in the director's opinion, this equates to open market value at the balance sheet date.

4. RETENTION BANK ACCOUNT

The retention bank account holds certain monies as required by the lender of the mortgage loan, and to which the lender has sole signing rights.

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2000 £
Mortgage loan (see note 6)	242,775
Amount due to parent undertaking	15,044,696
Accruals and deferred income	154,365
	15,441,836

At 31 March 2000, the amount due to parent undertaking was unsecured and was interest free. On 5 July 2000, a Subordination Deed was executed between the Company, its ultimate parent company, the Mortgagor and the Security Trustee, such that the amount due to parent undertaking is subordinated to the mortgage loan, is repayable only after the mortgage has been repaid, and remains unsecured and interest free.

6. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2000 £
Mortgage loan repayable	
Within one year	300,000
Between one and two years	415,000
Between two and five years	1,485,000
After five years	36,391,250
	38,591,250
Unamortised issue costs	(417,265)
	38,173,985

Analysis of mortgage loan	
Due within one year	242,775
Due after more than one year	37,931,210
	38,173,985

The mortgage loan bears interest at 1.4% over 3 month LIBOR.

The mortgage loan is secured by:

- first floating charge over all the assets of the company;
- first fixed legal charge over the properties and the rental income;
- charge over the shares of the company;
- all rents to be mandated to a charged Rent Account or through the managing agents who are required to execute a Duty of Care Deed;
- £400,000 together with certain other amounts to be placed on the retention bank account to be utilised to cover any shortfalls in interest and/or capital repayments.

7. CALLED UP SHARE CAPITAL

	31 March 2000 £
Authorised ordinary shares of £1 each	1,000
Called up, allotted and fully paid ordinary shares of £1 each	1

During the period, one share was allotted on the incorporation of the company.

8. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	31 March 20 £
New shares issued	1
Equity shareholder's funds at 31 March 2000	1

9. CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2000.

10. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Orb Estates PLC, a company incorporated in Great Britain."

APPENDIX 2

THE DUTCH LOANS

Three Loans (the "**Dutch Loans**") have been made to three Dutch borrowers, namely a loan of Eur 31,743,452 to Mirns International bv (the "**First Dutch Borrower**"), a loan of Eur 14,244,887 to Balifi International Finance (I) bv (the "**Second Dutch Borrower**") and a loan of Eur 28,188,185 to Tempero International Finance (I) bv (the "**Third Dutch Borrower**"). The Dutch Loans constitute approximately 8 per cent. (in respect of the First Dutch Borrower), 4 per cent. (in respect of the Second Dutch Borrower) and 7 per cent. (in respect of The Third Dutch Borrower) of the Loan and Mortgage Pool (in each case calculated by reference to the principal balance of the Loan and Mortgage Pool as of the Cut-off Date). The First Dutch Borrower, the Second Dutch Borrower and the Third Dutch Borrower (together the "**Dutch Borrowers**") are incorporated as private limited companies in the Netherlands.

Each of the Dutch Borrowers has, in turn, on lent substantially all (subject to rounding) of the monies initially borrowed under the Dutch Loans to three individuals, namely Peter Cosgrave, Michael Cosgrave and Joseph Cosgrave who trade as a partnership in Ireland pursuant to the provisions of the Partnership Act 1890 (the "**Irish Borrowers**"). The Irish Borrowers are experienced property developers based in Ireland. The business address of the Irish Borrowers is 13, Wentworth, Eblana Villas, Dublin 2. The business of the Irish Borrowers focuses upon the investment in and development of residential and commercial properties primarily in the Dublin area. Each of the Dutch Borrowers has entered into two separate loan agreements with the Irish Borrowers to facilitate the on-lending to the Irish Borrowers (each such loan agreement an "**Irish Loan**" and together the "**Irish Loans**"). The Irish Borrowers have charged by way of first legal mortgage to each of the Dutch Borrowers certain (distinct) properties as security for repayment of each of the Irish Loans. The Irish Borrowers have also assigned by way of security to the relevant Dutch Borrower, the benefit of all Leases entered into by the Irish Borrowers with tenants of the relevant properties. Rent payable by those tenants is required to be paid into an account in the name of the Irish Borrowers. Amounts credited to those accounts have also been charged in favour of the Dutch Borrowers. The Dutch Borrowers have in turn sub-mortgaged the relevant properties and sub-charged the relevant Leases and Rent Accounts in favour of MSMS (in its capacity as security trustee) as security for the repayment of each of the corresponding Dutch Loans.

The amounts, period and other principal terms of the Irish Loans are, in all material respects, the same as for the relative Dutch Loans. Each of the Dutch Borrowers will only have recourse to the Property and Rental Income specifically charged to it as security for payments of principal and interest due under the relevant Irish Loans. There is no cross collateralisation cross default or other connection between the Irish Loans and there is no other recourse to the Irish Borrowers themselves.

The only connection between the Dutch Loans is that each has been lent to a Dutch Borrower which has on-lent substantially all the monies borrowed to the Irish Borrowers pursuant to the terms of one or more separate and distinct Irish Loans. There is no cross-collateralisation, cross default or other connection between the Dutch Loans.

MSDW Bank followed its legal due diligence procedure (see "The Loans, The Mortgages and The Related Security") prior to advancing the relevant Loan to each of the Dutch Borrowers. That due diligence included obtaining confirmation from Irish and Dutch Legal advisers that the legal mortgages and Related Security created by the Irish Borrowers to secure repayment of the relevant Irish Loans and the sub-mortgages and Related Security created by each of the Dutch Borrowers to secure repayment of the relevant Dutch Loans will be enforceable notwithstanding the bankruptcy of the Irish Borrowers in Ireland or the insolvency of the Dutch Borrowers in The Netherlands.

1. Constitution and Registered Office

Each of the Dutch Borrowers is an independent private limited company incorporated in the Netherlands. None of the Dutch Borrowers is associated or in any way connected with the Irish Borrowers. The First Dutch Borrower was incorporated on 14th January, 2000, the Second Dutch

Borrower was incorporated on 13th June 2000 and the Third Dutch Borrower was incorporated on 13th June 2000.

The registered office of each of the Dutch Borrowers is at Arent Janszoon Ernststraat, 595H 1082LD Amsterdam, The Netherlands.

2. Directors

The Directors of each of the Dutch Borrowers are Antonie M. Schuller and Mark van Santen. The home address and business occupation of such directors are:

Name	Address	Business Occupation
Antonie M. Schuller	Grat Willem de Ondelaan 1412 AM Naarden The Netherlands	No principal activities performed outside the group where these are significant with respect to the group.
Mark van Santen	Bloemcamplaan 36 2244 EE Wassenaar The Netherlands	No principal activities performed outside the group where these are significant with respect to the group.

Principal Activities

The sole activities of each of the Dutch Borrowers consist of borrowing monies under the Dutch Loans to which they are a party. None of the Dutch Borrowers has engaged in any trade or business or entered into any transactions (other than as described in this Appendix 2) since the date of their respective incorporations. Each of the Dutch Loans are denominated in Euro. The purpose of each of the Dutch Loans is to enable each of the Dutch Borrowers to on-lend the monies thereby borrowed to the Irish Borrowers as described above.

Financial Statements

Since the date of their respective incorporations, no accounts have been filed or are publicly available in respect of the Dutch Borrowers. Each of the Dutch Borrowers will prepare annually an audited balance sheet and profit and loss account in accordance with the legal requirements in the Netherlands, with explanatory notes.

Subject to the matters set out in this Appendix 2, there has been no material change in the financial position or prospects of the Dutch Borrowers and no significant change in their trading or financial position since the dates of their respective incorporations.

Capitalisation/Indebtedness

As at the date of this Offering Circular:

Borrower	Authorised Share Capital NLG	Number of Shares	Value of Each Share NLG	Issued Share Capital NLG
First Dutch Borrower	200,000	2,000	100	40,000
Second Dutch Borrower	200,000	2,000	100	40,000
Third Dutch Borrower	200,000	2,000	100	40,000

All of the issued share capital is fully paid up.

For each of the Dutch Borrowers, the issued share capital (which is fully paid) comprises 400 shares all of which are owned by Goodbody Trustees Limited (registered office is North Wall Quay, International Financial Services Centre, Dublin 1) on trust for a charitable trust, the Arbutus Homeless Persons Trust:

Loan Capital

The outstanding loan capital of the Dutch Borrowers, as at the drawndown date, comprises:-

First Dutch Borrower

Eur 31,743,452 drawn under the relevant secured Dutch Loan;

Second Dutch Borrower

Eur 14,244,887 drawn under the relevant secured Dutch Loan;

Third Dutch Borrower

Eur 28,188,185 drawn under the relevant secured Dutch Loan.

Except as set out in Appendix 2, there exists no loan capital, borrowings, indebtedness, guarantees or contingent liabilities on the part of the Dutch Borrowers as at the date of drawdown. The Dutch Borrowers have undertaken that they shall not borrow any other monies or incur any indebtedness of whatever nature from any person other than MSDW Bank. The Issuer is not aware of any breach of these covenants. There has been no material change in the capitalisation or indebtedness or contingent liabilities or guarantees of any of the Dutch Borrowers since the date of drawdown of the Dutch Loans.

Subsidiaries

None of the Dutch Borrowers has any subsidiaries.

4. Terms of the Dutch Loans and the corresponding Irish Loans

Loan Documents

The following constitute the principal loan and security documentation in relation to the Irish Loans and the Dutch Loans (the "**Dutch Loan Documents**"). The documents listed are for all material purposes consistent with the descriptions set out under "The Loans, The Mortgages and The Related Security" unless otherwise described in the is Appendix 2:

(a) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 31,743,452 made by MSDW Bank with the First Dutch Borrower;

(b) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 14,244,887 made by MSDW Bank with the Second Dutch Borrower;

(c) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 28,188,185 made by MSDW Bank with the Third Dutch Borrower;

(d) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 22,220,415 and Eur 9,523,035 made between the First Dutch Borrower and the Irish Borrowers;

(e) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 12,062,511 and Eur 2,182,375 made between the Second Dutch Borrower and the Irish Borrowers;

(f) a Loan Agreement dated 15th June 2000 in respect of a loan facility of Eur 14,601,987 and Eur 13,586,197 made between the Third Dutch Borrower and the Irish Borrowers;

(g) a Debenture dated 15th June 2000 between the Irish Borrowers and the First Dutch Borrower;

(h) a Debenture dated 15th June 2000 between the Irish Borrowers and the Second Dutch Borrower;

(i) a Debenture dated 15th June 2000 between the Irish Borrowers and the Third Dutch Borrower;

(j) a Debenture dated 15th June 2000 granted by the First Dutch Borrower to MSMS (in its capacity as security trustee);

(k) a Debenture dated 15th June 2000 granted by the Second Dutch Borrower to MSMS (in its capacity as security trustee); and

(l) a Debenture dated 15th June 2000 granted by the Third Dutch Borrower to MSMS (in its capacity as security trustee).

Copies of the Dutch Loan Documents may be inspected during usual office hours on any week day (excluding Saturdays, Sundays and Public Holidays) at the London offices of Denton Wilde Sapte, 1 Fleet Place, London EC4M 7WS during the period of fourteen days from the date of this Offering Circular.

Amount and Term

The Dutch Loans comprise loan facilities denominated in Euro in the aggregate amount of Eur 74,176,524. The final repayment dates in respect of the Loans made available to the First Dutch Borrower, the Second Dutch Borrower and the Third Dutch Borrower is 18th July 2007. Interest and certain principal amortisation payments are payable on each of the Dutch Loans quarterly at a fixed rate on the 18th day of January, April, July and October. Principal amortisation begins in July 2002.

Purpose

The proceeds of each of the Dutch Loans used by each of the Dutch Borrowers to on-lend to the Irish Borrowers as described above. Each of the Dutch Borrowers has sub-mortgaged the Property charged to it by the Irish Borrowers, the rental income and the associated rights to MSMS (in its capacity as Security Trustee) and has also granted in favour of MSMS fixed and floating charges over all their other assets. None of the Dutch Borrowers are, however, believed by the Issuer to hold any assets of a material nature other than their rights under the initial mortgage of the Properties, rental income and associated rights.

5. Bank Accounts

Under the terms of the Loans between each of the Dutch Borrowers and the Irish Borrowers, all tenants of each relevant Property charged as security are obliged to pay rental income into a "Rent Account" in the name of the Irish Borrowers. There is a separate "Rent Account" in respect of each Property which is subject to a first fixed charge in favour of the relative Dutch Borrower and sub-charged to MSMS (in its capacity as Security Trustee).

Properties

Certain characteristics of the Properties securing the Dutch Loans are set out in the tables above under the heading "The Loan and Mortgage Pool". The Properties are located in Ireland. There is no provision in the Dutch Loan Documents for any substitution of those Properties.

Litigation

The Dutch Borrowers are not and have not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Dutch Borrowers are aware) which may have, or have had in the recent past (since the date each Dutch Borrower was incorporated), a significant effect on the Dutch Borrowers' financial position.

APPENDIX 3

INDEX OF PRINCIPAL DEFINED TERMS

REGISTERED AND HEAD OFFICE OF THE ISSUER

Blackwell House
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The inside cover of this Offering Circular shows photographs of 23 of the 110 Properties included in the Loan and Mortgage Pool as of the Cut-Off Date. The Properties shown in those photographs are as follows:

West End Retail Park, Blanchardstown, Dublin 15;
Donaghcloney Nursing Home, 1 Monree Road, Donaghcloney, Craigavon, BT66 7HA;
The Highlight Retail Park, Marina Way, Hartlepool Marina, Hartlepool;
Huntercombe Manor Hospital, Huntercombe Lane South, Taplow, Maidenhead SL6 0PQ;
Lentran House Nursing Home, Broomside Lane, Belmont, Durham DH1 2QW;
25 Green Street, London W1;
West End Office Park, Blanchardstown, Dublin 15;
Allen House, 8 Allen Street, London W8 6BH;
Kings Reach Nursing Home & Sheltered Housing, Kings Reach Village, Alkest Way, Ramsey, Isle of Man IM8 3NX;
Plantation Wharf, Battersea Reach, Battersea, London SW11;
Whiteabbey Nursing Home, 104 Doagh Road, Newtonabbey, County Antrim;
55 South Audley Street, London W1;
West Pier Business Campus, Dun Laoghaire, Co. Dublin;
7-9 Palace Gate, London W8 5LS;
12 Grosvenor Crescent, London SW1;
Centennial & Charter House, 100 Broad Street, Birmingham, West Midlands;
21-23 Palace Gate, London W8;
The Thames Brain Injury & Heathside Neuro Disability Rehabilitation Centre, 80-82 Blackheath Hill, London SE10 8AB;
Linlathen House Nursing Home, Arbroath Road, Broughty Ferry, By Dundee DD5 3NN;
Landsdowne Nursing Home, 41-43 Somerton Road, Belfast BT15 3LG;
St Oswald's Residential Home, Crowhall Lane, Felling, Gateshead, Tyne & Wear NE10 9PX;
Belmont Grange Nursing Home, Lentran, Inverness, Highland, Scotland IV3 6RL; and
Abbeymoor Nursing Home, Market Lane, Swalwell, Gateshead NE16 3DF.

All relevant consents have been given for the inclusion of the photographs on the inside cover of this Offering Circular.