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This prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this prospectus to any other person. In order to be eligible to view this prospectus or make an investment decision with respect to the securities, investors must not be U.S. persons (within the meaning of Regulation S under the Securities Act). This prospectus is being sent at your request and by accessing the prospectus, you shall be deemed to have confirmed and represented to us that (i) you have understood and agree to the terms set out herein, (ii) you consent to delivery of the prospectus by electronic transmission, (iii) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (iv) if you are a person in the United Kingdom, then you are a person who (A) has professional experience in matters relating to investments or (B) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2001 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2001.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and BARCLAYS BANK PLC or any affiliate of BARCLAYS BANK PLC is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by BARCLAYS BANK PLC or such affiliate on behalf of the Issuer in such jurisdiction.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Theatre (Hospitals) No. 1 PLC or BARCLAYS BANK PLC (nor any person who controls any of them respectively nor any director, officer, employee nor agent of any of them respectively nor affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from BARCLAYS CAPITAL, THE INVESTMENT BANKING DIVISION OF BARCLAYS BANK PLC.

THEATRE (HOSPITALS) NO. 1 PLC

(a public company with limited liability incorporated under the laws of England and Wales with registered number 6067193)

£396,000,000 Commercial Mortgage-Backed Floating Rate Notes due 2031

Theatre (Hospitals) No. 1 PLC (the "Issuer") will issue the £231,000,000 Class A Commercial Mortgage-Backed Floating Rate Notes due 2031 (the "Class A Notes"), the £57,000,000 Class B Commercial Mortgage-Backed Floating Rate Notes due 2031 (the "Class B Notes"), the £54,000,000 Class C Commercial Mortgage-Backed Floating Rate Notes due 2031 (the "Class C Notes") and the £54,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2031 (the "Class D Notes" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "Notes") on or about 11 May 2007 (or such later date as the Issuer may agree with the Arranger and the Lead Manager) (the "Closing Date").

Application has been made to the Irish Financial Services Regulatory Authority (the "Irish Financial Services Regulatory Authority" or "IFSRA"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"), for this Prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the "Irish Stock Exchange") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "Official List") and trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public of any Member State of the European Economic Area. This document constitutes a prospectus for the purposes of the Prospectus Directive.

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are expected, on issue, to be assigned the relevant ratings set out opposite the relevant Class of Notes in the table below by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings Ltd. ("Fitch" and, together with S&P, the "Rating Agencies"). A credit 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 Rating Agencies. Each credit rating should be evaluated independently of any other credit rating.

Class	Initial Principal Amount	Relevant Margin (% p.a.)	S&P	Fitch	Estimated Average Life	Expected Maturity Date	Step-up Date	Note Final Maturity Date	Initial Price
Class A	£231,000,000	0.41	AAA	N/A	6.26 years	15 October 2013	15 October 2013	15 October 2031	100%
Class B	£57,000,000	0.46	AA	N/A	6.26 years	15 October 2013	15 October 2013	15 October 2031	100%
Class C	£54,000,000	0.70	A	A	6.26 years	15 October 2013	15 October 2013	15 October 2031	100%
Class D	£54,000,000	0.95	BBB	BBB	6.26 years	15 October 2013	15 October 2013	15 October 2031	100%

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 15 January, 15 April, 15 July and 15 October in each year (subject to adjustment for non-Note Business Days as described herein) (each, a "Note Payment Date"). The first Note Payment Date will be the Note Payment Date falling in July 2007. The interest rate applicable to each Class of Notes from time to time will be determined by reference to the London Interbank Offered Rate for three month sterling deposits (or, in the case of the first Note Interest Period, the linear interpolation of 2 and 3 month sterling deposits) ("LIBOR"), as further defined in Condition 5.3 (*Rates of Interest*) plus the Relevant Margin. Each Relevant Margin will be as set out in the table above. From and including the Step-up Date, Step-up Fees will be payable on the Notes on each Note Payment Date, as further defined in Condition 5 (*Interest and Step-up Fees*).

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any of the other parties to the transactions described in this Prospectus. It should be noted, in particular, that the Notes will not be obligations or responsibilities of the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer).

The Notes of each Class will each initially be represented on issue by a temporary global note in bearer form (each, a "Temporary Global Note") without interest coupons or receipts attached, which will be deposited on or about the Closing Date with a common depository for Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"). Each Temporary Global Note will be exchangeable for interests in a permanent global note in bearer form (each, a "Permanent Global Note") representing the same Class of Notes, without interest coupons attached, not earlier than forty (40) days after the Closing Date (provided that certificates as to non-U.S. beneficial ownership have been received). Ownership interests in the Temporary Global Notes and the Permanent Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Clearstream, Luxembourg and Euroclear and their respective participants. Interests in the Permanent Global Notes will be exchangeable for Definitive Notes in bearer form only in certain limited circumstances as set forth therein.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult its own independent professional advisors.

See "Risk Factors" for a discussion of certain factors which should be considered by prospective Noteholders in connection with an investment in the Notes.

Arranger and Lead Manager



Co-Manager

Danske Bank

The date of this Prospectus is 3 May 2007

Responsibility Statements

Except as described below, the Issuer (as "**Responsible Person**" for the purposes of the Prospectus Directive) accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to the Borrowers, which is set out in the "*Risk Factors*", "*The Borrowers*" and "*Description Of The Property Portfolio*" sections of this Prospectus, has been accurately reproduced from information made available by the Borrowers. So far as the Issuer is aware and is able to ascertain from information published by the Borrowers, no facts have been omitted which would render the reproduced information misleading.

The information relating to the Tenant, which is set out in the "*Risk Factors*", "*Description of the UK Acute Care Sector*" and "*The Tenant and the BMI Healthcare Business*" sections of this Prospectus, has been accurately reproduced from information made available by the Tenant. So far as the Issuer is aware and is able to ascertain from information published by the Tenant, no facts have been omitted which would render the reproduced information misleading.

The information relating to the Property Valuation Report, which is set out in the "*Property Valuation Report*" section of this Prospectus, has been accurately reproduced from information made available by the Valuer. So far as the Issuer is aware and is able to ascertain from information published by the Valuer, 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 make any representation or provide any information other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer).

Representations about the Notes

No person is or has been authorised in connection with the issue and sale of the Notes to make any representation or provide any information other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer).

Other than with respect to the information referred to above and referable to it, none of the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than

the Issuer) have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted (other than with respect to the information referred to above and referable to it) by the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer) as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution. Other than with respect to the information referred to above, each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer) in connection with any investigation of the accuracy of the information on its investment decision.

Financial condition of the Issuer, the Borrowers and the Tenant

Neither the delivery of this Prospectus nor any sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Borrowers or the Tenant (or any companies in the same group of companies as, or affiliated to, the Issuer, the Borrowers or the Tenant, as applicable), or in any of the information contained herein since the date of this document or that the information contained in this document is correct as of any time subsequent to its date.

Selling Restrictions

Other than the approval of the Irish Financial Services Regulatory Authority of this Prospectus as a prospectus in accordance with the Prospectus Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer, the Arranger, the Lead Manager and the Co-Manager to inform themselves about and to observe any such restrictions.

Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer, the Arranger, the Lead Manager or the Co-Manager to subscribe for or purchase any of the Notes.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Prospectus, see "*Subscription And Sale*".

Interpretation

References in this Prospectus to "£", "Sterling" and "Pounds Sterling" are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus. An index of defined terms and where those terms are defined appears at the end of this Prospectus.

Stabilisation

In connection with the issue of the Notes, Barclays Bank PLC (in such capacity the "**Stabilising Manager**") (or any person acting on behalf of any Stabilising Manager) may over-allot Notes (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Class) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue of the Notes and sixty (60) days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws.

CONTENTS

Clause	Page
Key Characteristics of the Notes	6
Transaction Summary	7
Transaction Structure Diagram	11
Propco Group Corporate Structure Diagram	12
The Parties	13
Relevant Dates and Periods	20
Key Characteristics of the Property Portfolio	22
Principal Features of the Notes	23
Risk Factors	32
The Issuer	68
The Borrowers	70
Description of the UK Acute Care Sector	71
The Tenant and the BMI Healthcare Business	77
Description of the Property Portfolio	88
Property Valuation Report	90
The Leases	125
The Propco Facility Agreement and the Borrower Security	130
Hedge Agreements	162
Servicing	168
Summary of the Issuer Transaction Documents	180
Cash Management	194
Cash Flows	198
Issuer Account Bank	204
Liquidity Facility Provider	205
Estimated Average Lives of the Notes and Assumptions	206
Use of Proceeds	208
Terms and Conditions of the Notes	209
United Kingdom Taxation	242
Subscription and Sale	244
General Information	247
Appendix A	249
Index of Defined Terms	285

KEY CHARACTERISTICS OF THE NOTES

The following is a brief overview of the principal characteristics of the Notes referred to in this Prospectus. This information is subject to, and is more fully explained in, the other sections of this Prospectus.

Notes	Class A Notes	Class B Notes	Class C Notes	Class D Notes
Minimum Denomination	£50,000	£50,000	£50,000	£50,000
Principal Amount	£231,000,000	£57,000,000	£54,000,000	£54,000,000
Reference Interest Rate	3 month LIBOR	3 month LIBOR	3 month LIBOR	3 month LIBOR
Margin	0.41 % per annum	0.46 % per annum	0.70 % per annum	0.95 % per annum
Step-up Fee	0.41 % per annum	0.46 % per annum	0.70 % per annum	0.95 % per annum
Estimated Weighted Average Lives of the Notes*	6.26 years	6.26 years	6.26 years	6.26 years
Expected Maturity Date	15 October 2013	15 October 2013	15 October 2013	15 October 2013
Step-up Date	15 October 2013	15 October 2013	15 October 2013	15 October 2013
Note Final Maturity Date	15 October 2031	15 October 2031	15 October 2031	15 October 2031
Note Payment Dates	15 January, 15 April, 15 July and 15 October	15 January, 15 April, 15 July and 15 October	15 January, 15 April, 15 July and 15 October	15 January, 15 April, 15 July and 15 October
Interest Accrual Method	Actual/365	Actual/365	Actual/365	Actual/365
Frequency of Redemption	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6	In accordance with Condition 6
Clearing Systems	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear	Clearstream, Luxembourg and Euroclear
Listing	Ireland	Ireland	Ireland	Ireland
ISIN	XS0290917227	XS0275389756	XS0294355028	XSS0294355374
Common Code	029091722	027538975	029435502	029435537
Expected rating - S&P	AAA	AA	A	BBB
Expected rating - Fitch	N/A	N/A	A	BBB

*See "Estimated Average Lives Of The Notes And Assumptions" for a description of the assumptions made in calculating the estimated weighted average lives of the Notes.

TRANSACTION SUMMARY

The following is an overview of the transaction. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to the more detailed information which appears elsewhere in this Prospectus. Prospective purchasers of the Notes are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus in making any decision whether or not to invest in any Notes. Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.

Issue of the Notes and Use of Proceeds

The Issuer has been incorporated as a special purpose entity for the purpose of issuing the Notes and entering into the Issuer Transaction Documents.

The Issuer will issue the Notes on 11 May 2007 (the "**Closing Date**") and will apply the Note Proceeds to acquire the Senior Loans from the Sellers pursuant to the Loan Sale Agreement (see "*Loan Sale Documents*" below).

The fees and expenses in connection with the issue of the Notes will be met by the Borrowers. See "*Use Of Proceeds*".

The Propco Loans

Under the terms of a facility agreement dated 6 October 2006, as amended from time to time on or before the Closing Date (the "**Propco Facility Agreement**"), Dresdner Bank AG London Branch, The Governor and Company of the Bank of Scotland, Mizuho Corporate Bank Limited and Barclays Bank PLC (together, the "**Sellers**" and the "**Original Lenders**") made thirty-six loans in an aggregate principal amount of £1,650,000,000 (the "**Propco Loans**") to the Borrowers under a secured term loan facility. The Propco Loans bear interest at a floating rate.

On 15 December 2006 (the "**Bifurcation Date**"), the Original Lenders divided their participations in the Propco Loans into the "**Whole Senior Loans**" and the "**Junior Loans**" pursuant to the Intercreditor Agreement. The Junior Loans were subsequently syndicated to certain financial institutions. See "*The Propco Facility Agreement and the Borrower Security - Intercreditor Arrangements*". As at the Closing Date, the principal amount of the Junior Loans will be £686,775,757.58. With respect to the entitlement to interest payable under the Propco Loans, the Whole Senior Loans and the Junior Loans are treated as accruing interest at different rates (respectively, the "**Senior Rate**" and the "**Junior Rates**") reflective of the respective claims of the Senior Lenders and the Junior Lenders as to payments, priorities and enforcement in respect of the Whole Senior Loans and the Junior Loans under the Intercreditor Agreement.

Pursuant to the Minority Senior Lender Intercreditor Agreement, the Senior Lenders divided their participations in the Whole Senior Loans into a minority portion (the "**Senior Loan Minority Portion**") and a majority portion. Following the Bifurcation Date, the Senior Loan Minority Portion was transferred to certain other financial institutions, each of whom is, in its capacity as holder of a portion of the Senior Loan Minority Portion, a "**Minority Senior Lender**" and together, the "**Minority Senior Lenders**". The Minority Senior Lenders are Senior Lenders under the Propco Facility Agreement and the Intercreditor Agreement. As at the Closing Date, the principal amount of the Senior Loan Minority Portion will be £299,424,242.42 and will constitute 31.21 per cent. of the Whole Senior Loans. See "*The Propco Facility Agreement and the Borrower Security - Intercreditor Arrangements*".

On the Closing Date, immediately prior to the execution of the Loan Sale Documents, the Sellers, each in its capacity as a Senior Lender and subject to the provisions of the Intercreditor Agreements, will be the legal and beneficial owners of participations in the majority portion of the Whole Senior Loans in a principal amount equal to £396 million (Barclays Bank PLC will also be the legal and beneficial owner of participations in the majority portion of the Whole Senior Loans in a principal amount equal to £264,000,000 which it will transfer to Theatre (Hospitals) No. 2 as described below). On the Closing Date, the Issuer will apply the Note Proceeds to acquire such participations (the "**Senior Loans**") from the Sellers pursuant to the Loan Sale Documents. As at the Closing Date, the Senior Loans will constitute 41.27 per cent. of the Whole Senior Loans.

On the Closing Date, Barclays Bank PLC, in its capacity as a Senior Lender, will transfer its participations in the majority portion of the Whole Senior Loans (other than those sold to the Issuer as described above) to Theatre (Hospitals) No. 2 PLC ("**Theatre (Hospitals) No. 2**"), a special purpose vehicle who will acquire such participations (together, constituting the "**Theatre (Hospitals) No. 2 Portion**") using the proceeds it will receive from the issue of Class A, Class B, Class C and Class D asset-backed notes (the "**Theatre (Hospitals) No. 2 Notes**") under a related securitisation on the Closing Date (the "**Theatre (Hospitals) No. 2 Securitisation**"). Theatre (Hospitals) No. 2 will be a Senior Lender under the Propco Facility Agreement and the Intercreditor Agreement. As at the Closing Date, the Theatre (Hospitals) No. 2 Portion will be £264 million and will constitute 27.52 per cent. of the Whole Senior Loans.

Under the Theatre (Hospitals) No. 2 Securitisation, the trustee (the "**Theatre (Hospital) No. 2 Trustee**"), master servicer and special servicer appointed by Theatre (Hospitals) No. 2 will be the same entities as the Trustee, the Master Servicer and the Special Servicer respectively.

Hedge Agreements

The Borrowers are party to interest rate hedging agreements in order to hedge their exposure to risk resulting from the Borrowers being required to pay a floating rate of interest under the Propco Facility Agreement. The Borrowers have entered into interest rate swaps having an aggregate notional amount of £1,650,000,000 amortising with the Hedge Counterparties under which they pay a fixed rate of interest to the Hedge Counterparties and will receive LIBOR. See "*Hedge Agreements*".

Property Portfolio

The Property Portfolio is situated in England, Wales and Scotland and consists of thirty-six properties used to provide health care services (the "**Properties**"). Thirty-three of the properties in the Property Portfolio are freehold/heritable properties constituting absolute ownership of the property (with one of those Properties, Alexandra Hospital, comprising a small leasehold portion that is to be transferred to the relevant Borrower (see "*Risk Factors - Title*" below)). The remaining three properties in the Property Portfolio are long leasehold properties constituting ownership of the Property subject to an annual payment of a ground rent to the owner of the freehold title. See "*Description Of The Property Portfolio*".

Each of the Properties is subject to an occupational lease each with a 25 year duration. See "*The Leases*".

Principal Security for the Obligors' Obligations

The Obligors' obligations under the Propco Facility Agreement and the other Finance Documents are secured primarily by the Borrowers granting fixed and floating security over all their property,

undertakings and assets in favour of the Borrower Security Trustee pursuant to the Borrower Security Documents. See "*The Propco Facility Agreement and the Borrower Security - Borrower Security*."

The Guarantors have guaranteed the obligations of the Borrowers and each other Guarantor pursuant to the terms of the Propco Facility Agreement. See "*The Propco Facility Agreement and the Borrower Security*".

For a diagrammatic representation of the corporate structure of the Borrowers, see "*Propco Group Corporate Structure Diagram*".

Borrower Call Option

Pursuant to the Borrower Call Option Agreement, the Tenant has granted each Borrower an option to purchase all of the Tenant's interests in all chattels, equipment, fittings and moveable contents situated in the Properties or used in connection with the Properties. The call option is exercisable by the Borrowers within a specified period following the forfeiture of a Lease with the Tenant (see "*The Propco Facility Agreement and the Borrower Security - Call Option Documents*" below).

Loan Sale Documents

On the Closing Date, the Issuer will use the Note Proceeds to acquire by means of novation from the Sellers, pursuant to the terms of a loan sale agreement (the "**Loan Sale Agreement**") and a transfer certificate (the "**Transfer Certificate**" and, together with the Loan Sale Agreement, the "**Loan Sale Documents**") to be dated on or about the Closing Date, the right, title, interest and benefit of the Sellers in the Senior Loans pursuant to the Propco Facility Agreement and the Borrower Security, together with any and all of the Sellers' rights as Senior Lender under the Finance Documents and the Intercreditor Agreements (together, the "**Loan Sale Assets**"). See "*Summary Of The Issuer Transaction Documents - Loan Sale Documents*".

Source of Funds for Payments on the Notes

The payment of interest and repayment or, as the case may be, prepayment of principal (other than any Prepayment Fees) by the Borrowers in respect of the Senior Loans will provide the primary source of funds for the Issuer to make payments of interest and repayments (or prepayments) of principal under the Notes.

However, for the avoidance of doubt, the Issuer will not acquire any rights of the Minority Senior Lenders, Theatre (Hospitals) No. 2, the Junior A Lenders or the Junior B Lenders and, accordingly, no payments by the Borrowers payable to the Minority Senior Lenders, Theatre (Hospitals) No. 2, the Junior A Lenders or the Junior B Lenders will constitute funds which the Issuer can use to meet payments due under the Notes.

If the Issuer has insufficient funds to make payment on the Notes on any Note Payment Date it may, in certain circumstances, make drawings on the Liquidity Facility to cover shortfalls in the amounts available to the Issuer to make payments of, amongst other things, interest due on the Notes. See "*Summary Of The Issuer Transaction Documents - Liquidity Facility Agreement*".

Security for the Issuer's Obligations

The Issuer's obligations under the Notes and the Issuer Transaction Documents (other than the Trust Documents) will be secured by, amongst other things, the Issuer granting fixed and floating security over all its property, undertaking and assets and the Issuer assigning the benefit of certain security which it enjoys as a secured creditor under the Finance Documents and the Intercreditor Agreements in favour of

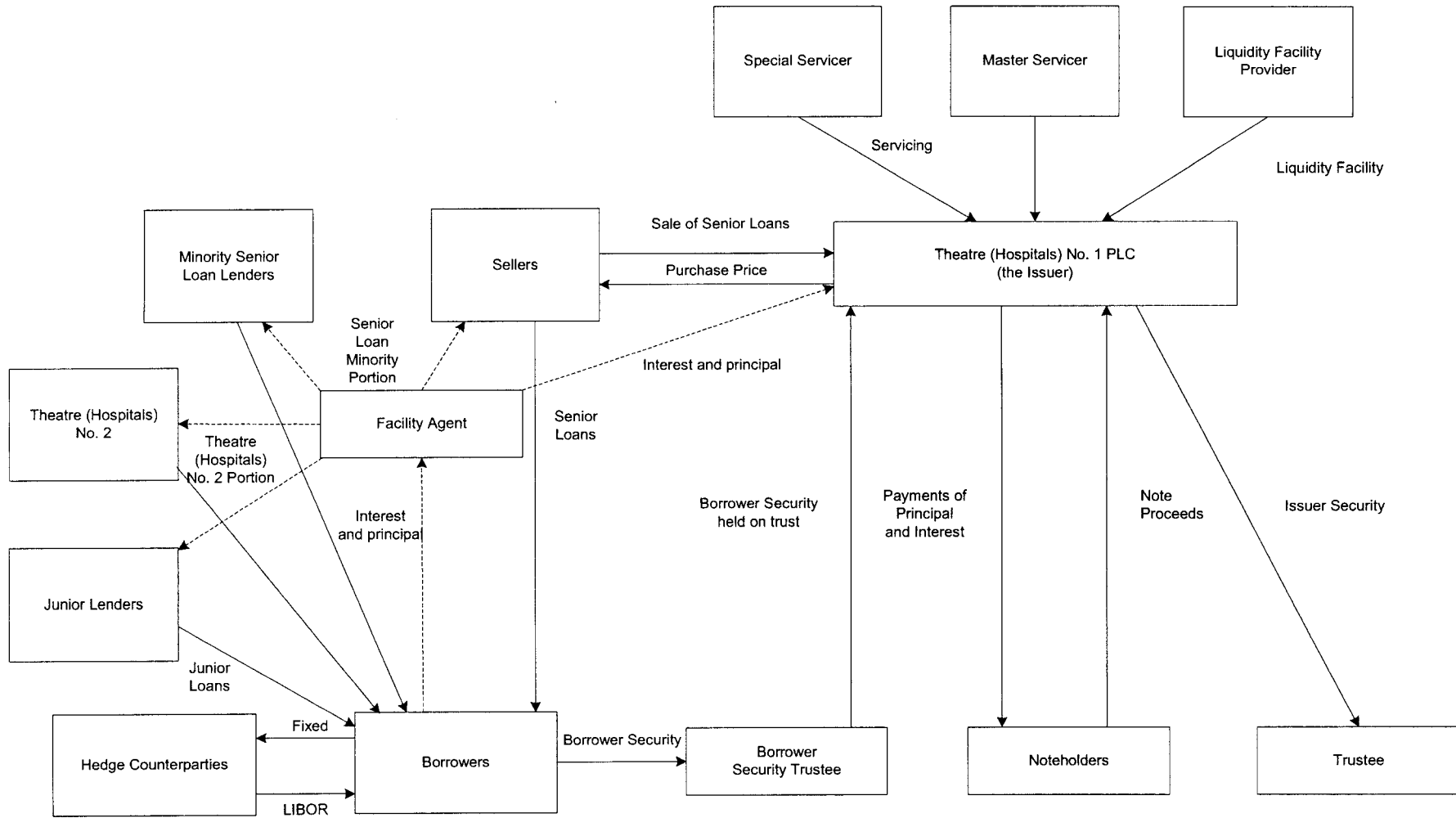
the Trustee on behalf of the Issuer Secured Creditors pursuant to the Issuer Deed of Charge. See "*Summary Of The Issuer Transaction Documents - Issuer Deed Of Charge*" and Condition 3.2 (*Issuer Security and Issuer Priority of Payments*).

The Issuer Deed of Charge will determine the post-enforcement priority of payments of the Issuer Secured Creditors. See "*Summary Of The Issuer Transaction Documents - Issuer Deed Of Charge*" and "*Cashflows*".

For a diagrammatic overview of the transaction described in this Prospectus, see "*Transaction Structure Diagram*".

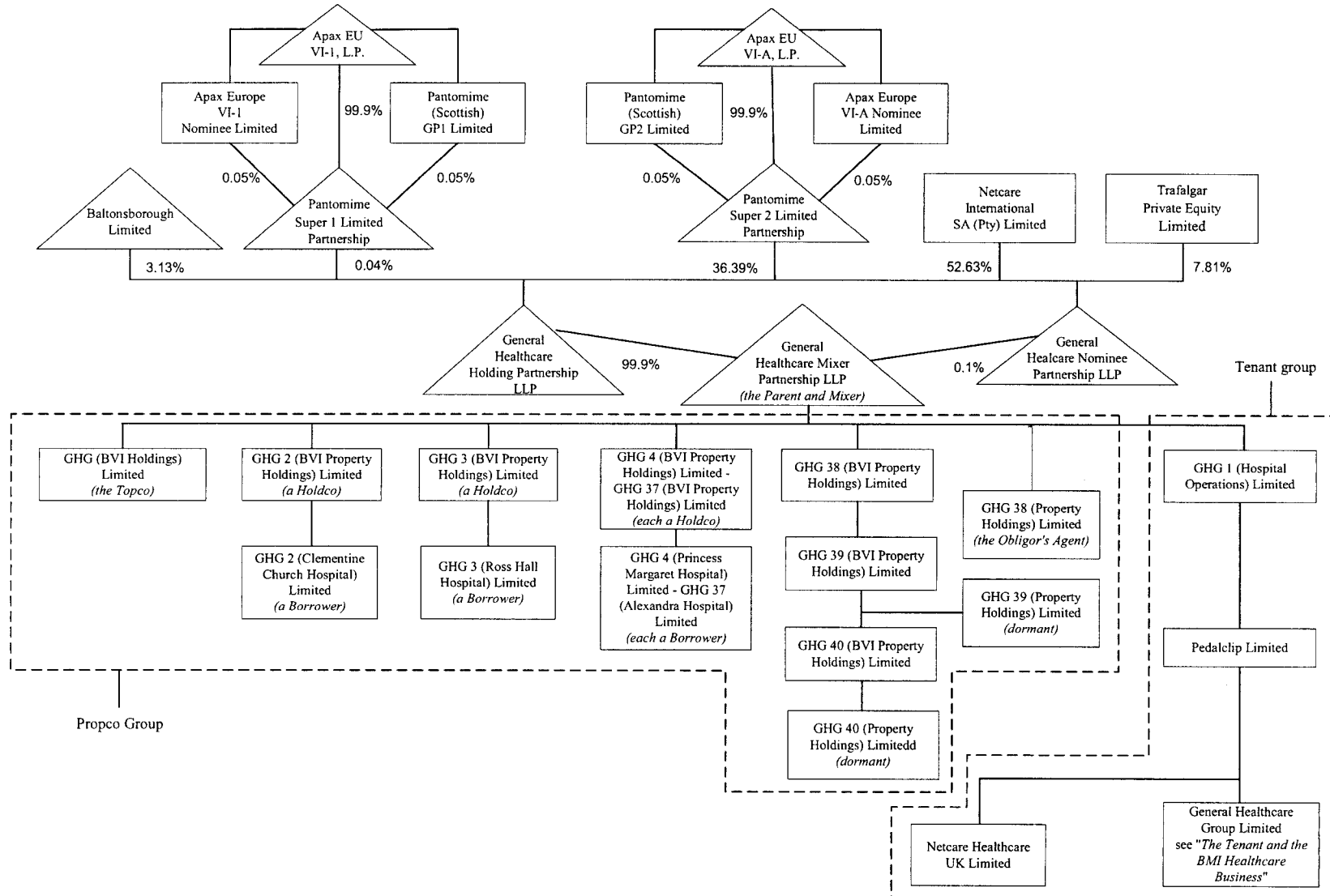
TRANSACTION STRUCTURE DIAGRAM

The following diagram sets out the transaction structure relating to the issue of the Notes by the Issuer and the purchase of the Senior Loans by the Issuer. The diagram is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.



PROPCO GROUP CORPORATE STRUCTURE DIAGRAM

The following diagram sets out the structure of the Obligors, the Parent and the Parent's ultimate holding entities. The diagram is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.



THE PARTIES

Issuer: Theatre (Hospitals) No. 1 PLC (the "**Issuer**" and a "**Senior Lender**"), a public limited liability company incorporated under the laws of England and Wales on 25 January 2007, with registered number 6067193, having its registered office at 35 Great St. Helen's, London EC3A 6AP. The entire issued share capital of the Issuer is held by or on behalf of SFM Corporate Services Limited (the "**Issuer Share Trustee**") on trust for charitable purposes pursuant to a share trust deed dated 19 February 2007 (the "**Issuer Share Trust Deed**").

The Issuer is a special purpose entity with limited permitted activities. Its principal activities will comprise, amongst other things, issuing the Notes and applying the Note Proceeds to purchase the Loan Sale Assets pursuant to the Loan Sale Documents. See "*The Issuer*".

Trustee: Citicorp Trustee Company Limited, whose principal office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the "**Trustee**") will be appointed as trustee for the holders from time to time of the Notes pursuant to a trust deed to be dated on or about the Closing Date (the "**Trust Deed**") between the Issuer and the Trustee.

The Trustee will also hold the security granted by the Issuer pursuant to a deed of charge to be dated on or about the Closing Date (the "**Issuer Deed of Charge**") between the Issuer and the Issuer Secured Creditors on trust for itself and any receiver or other appointee of the Trustee, the Noteholders, the Master Servicer, the Special Servicer, the Sellers, the Corporate Services Provider, the Issuer Account Bank, the Cash Manager, the Liquidity Facility Provider, the Agent Bank, the Principal Paying Agent, the Irish Paying Agent and any other paying agent appointed under the Agency Agreement (together, the "**Issuer Secured Creditors**") and will be entitled to enforce the Issuer Security subject to and in accordance with the terms of the Issuer Deed of Charge. See "*Summary Of The Issuer Transaction Documents - Trust Deed*", "*Summary Of The Issuer Transaction Documents - Issuer Deed of Charge*" and Condition 11 (*Enforcement*).

Principal Paying Agent and Agent Bank: Citibank N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, will provide certain services to the Issuer as principal paying agent (in such capacity, the "**Principal Paying Agent**") and as agent bank (in such capacity, the "**Agent Bank**") pursuant to the terms of an agency agreement to be dated on or about the Closing Date (the "**Agency Agreement**") between the Issuer, the Paying Agents, the Agent Bank and the Trustee.

Irish Paying Agent:

Citibank International plc, acting through its office at 1 North Wall Quay, Dublin 1, Ireland, will be appointed as the Irish paying agent (the "**Irish Paying Agent**" and, together with the Principal Paying Agent and any other paying agents appointed pursuant to the Agency Agreement, the "**Paying Agents**") pursuant to the terms of the Agency Agreement.

Cash Manager:

Citibank, N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the "**Cash Manager**") will be appointed as cash manager by the Issuer pursuant to the terms of a cash management agreement to be dated on or about the Closing Date (the "**Cash Management Agreement**") between the Issuer, the Trustee and the Cash Manager.

The Cash Manager will operate the Issuer Accounts and will arrange for the making of payments (having determined the amounts thereof) due from the Issuer and keep certain records on behalf of, amongst others, the Issuer. See "*Cash Management*".

Issuer Account Bank:

Citibank N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the "**Issuer Account Bank**") will be appointed to provide certain banking services to the Issuer in relation to the transaction accounts to be opened with the Issuer Account Bank in the name of the Issuer (the "**Issuer Accounts**") pursuant to an account bank agreement to be dated on or about the Closing Date (the "**Issuer Account Bank Agreement**") between the Issuer, the Issuer Account Bank, the Cash Manager and the Trustee.

The Issuer is required to maintain the Issuer Accounts with a bank which is an Eligible Bank. See "*Summary Of The Issuer Transaction Documents - Issuer Account Bank Agreement*".

Liquidity Facility Provider:

Danske Bank A/S, London Branch acting through its office at 75 King William Street, London EC4N 7DT (in such capacity, the "**Liquidity Facility Provider**") will be the lender of the liquidity facility (the "**Liquidity Facility**") pursuant to a liquidity facility agreement to be dated on or about the Closing Date (the "**Liquidity Facility Agreement**") between the Issuer, the Cash Manager, the Liquidity Facility Provider and the Trustee.

The Issuer is required to maintain a liquidity facility with a bank having the Liquidity Requisite Ratings. See "*Summary of the Issuer Transaction Documents - Liquidity Facility Agreement*".

Master Servicer:

Barclays Capital Mortgage Servicing Limited, acting through its office at 5 The North Colonnade, London E14 4BB (in such capacity, the "**Master Servicer**" and as the context may require, the "**Relevant Servicer**") will be the loan servicer to the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders

pursuant to the terms of a servicing agreement to be dated on or about the Closing Date (the "**Servicing Agreement**") between the Issuer, the Cash Manager, the Master Servicer, the Special Servicer and the Trustee. See "*Servicing*".

Special Servicer:

Barclays Capital Mortgage Servicing Limited, acting through its office at 5 The North Colonnade, London E14 4BB (in such capacity, the "**Special Servicer**" and as the context may require, the "**Relevant Servicer**") will be appointed in accordance with the terms of the Servicing Agreement to carry out special servicing functions if required on behalf of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders. See "*Servicing*".

Controlling Creditor:

At any time:

- (a) the holders of the most junior Adjusted Class of Notes for which the Related Unadjusted Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
- (b) if no Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Adjusted Class of Notes,

will be, acting together and in accordance with Condition 4.3 (*Special Servicer*), the controlling creditor (the "**Controlling Creditor**").

The Controlling Creditor will have the right to appoint and remove an adviser (the "**Operating Adviser**") to represent its interests in respect of the Senior Loans. The Operating Adviser will, among other things, have certain rights with respect to certain material actions relating to the Whole Senior Loans. The terms of the Theatre (Hospitals) No. 1 Securitisation will also grant the controlling creditor of Theatre (Hospitals) No. 2 the right to appoint an operating adviser under the same terms. See "*Servicing*".

Corporate Services Provider:

Structured Finance Management Limited, a company registered in England and Wales with registered number 3853947 whose principal office is at 35 Great St. Helen's, London EC3A 6AP, will be appointed as the corporate services provider to the Issuer (in such capacity, the "**Corporate Services Provider**") pursuant to the terms of a corporate services agreement to be dated on or about the Closing Date (the "**Corporate Services Agreement**") between the Issuer, the Corporate Services Provider and the Issuer Share Trustee.

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider will provide directors and certain other corporate services to the Issuer. See *"The Issuer - Corporate Services Agreement"*.

Sellers:

Dresdner Bank AG London Branch acting through its office at 30 Gresham Street, London EC2V 7PG, The Governor and the Company of the Bank of Scotland acting through its office at 155 Bishopsgate, London EC2M 3YB, Mizuho Corporate Bank Ltd acting through its office at Bracken House, One Friday Street, London EC4M 9JA and Barclays Bank PLC acting through its office at 5 The North Colonnade, London E14 4BB (each a "Seller" and together the "Sellers") will be the Sellers pursuant to the terms of the Loan Sale Agreement.

Borrowers:

GHG 2 (Clementine Churchill Hospital) Limited, GHG 3 (Ross Hall Hospital) Limited, GHG 4 (Princess Margaret Hospital) Limited, GHG 5 (London Independent Hospital) Limited, GHG 6 (Thornbury Hospital) Limited, GHG 7 (Chiltern Hospital) Limited, GHG 8 (Park Hospital) Limited, GHG 9 (Bath Clinic) Limited, GHG 10 (Nuneaton Private Hospital) Limited, GHG 11 (Mount Alvernia Hospital) Limited, GHG 12 (Hampshire Clinic) Limited, GHG 13 (Chaucer Hospital) Limited, GHG 14 (Shirley Oaks Hospital) Limited, GHG 15 (Highfield Hospital) Limited, GHG 16 (Chelsfield Park Hospital) Limited, GHG 17 (Ridgeway Hospital) Limited, GHG 18 (Saxon Clinic) Limited, GHG 19 (Albyn Hospital) Limited, GHG 20 (Sarum Road Hospital) Limited, GHG 21 (Somersetfield Hospital) Limited, GHG 22 (Garden Hospital) Limited, GHG 23 (Fawkham Manor Hospital) Limited, GHG 24 (Sloane Hospital) Limited, GHG 25 (Werndale Hospital) Limited, GHG 26 (Beardwood Hospital) Limited, GHG 27 (Esperance Hospital) Limited, GHG 28 (Manor Hospital) Limited, GHG 29 (Fernbrae Hospital) Limited, GHG 30 (Paddocks Hospital) Limited, GHG 31 (Blackheath Hospital) Limited, GHG 32 (Goring Hall Hospital) Limited, GHG 33 (Beaumont Hospital) Limited, GHG 34 (Priory Hospital) Limited, GHG 35 (Droitwich Spa Hospital) Limited, GHG 36 (Winterbourne Hospital) Limited and GHG 37 (Alexandra Hospital) Limited, each a limited liability company incorporated in England and Wales (together, the "Borrowers" and each a "Borrower").

The Borrowers' primary business activities centre around the leasing and ownership of the Property Portfolio. See *"The Borrowers"*, *"Description Of The Property Portfolio"* and *"The Leases"*.

Holdcos:

GHG 2 (BVI Property Holdings) Limited, GHG 3 (BVI Property Holdings) Limited, GHG 4 (BVI Property Holdings) Limited, GHG 5 (BVI Property Holdings) Limited, GHG 6 (BVI Property Holdings) Limited, GHG 7 (BVI Property Holdings) Limited, GHG

8 (BVI Property Holdings) Limited, GHG 9 (BVI Property Holdings) Limited, GHG 10 (BVI Property Holdings) Limited, GHG 11 (BVI Property Holdings) Limited, GHG 12 (BVI Property Holdings) Limited, GHG 13 (BVI Property Holdings) Limited, GHG 14 (BVI Property Holdings) Limited, GHG 15 (BVI Property Holdings) Limited, GHG 16 (BVI Property Holdings) Limited, GHG 17 (BVI Property Holdings) Limited, GHG 18 (BVI Property Holdings) Limited, GHG 2 (BVI Property Holdings) Limited, GHG 19 (BVI Property Holdings) Limited, GHG 20 (BVI Property Holdings) Limited, GHG 21 (BVI Property Holdings) Limited, GHG 22 (BVI Property Holdings) Limited, GHG 23 (BVI Property Holdings) Limited, GHG 24 (BVI Property Holdings) Limited, GHG 25 (BVI Property Holdings) Limited, GHG 26 (BVI Property Holdings) Limited, GHG 27 (BVI Property Holdings) Limited, GHG 28 (BVI Property Holdings) Limited, GHG 29 (BVI Property Holdings) Limited, GHG 30 (BVI Property Holdings) Limited, GHG 31 (BVI Property Holdings) Limited, GHG 32 (BVI Property Holdings) Limited, GHG 33 (BVI Property Holdings) Limited, GHG 34 (BVI Property Holdings) Limited, GHG 35 (BVI Property Holdings) Limited, GHG 36 (BVI Property Holdings) Limited and GHG 37 (BVI Property Holdings) Limited, each a limited liability company incorporated in the British Virgin Islands (together, the "Holdcos" and each a "Holdco").

Obligor's Agent and Borrower Account Holder: GHG 38 (Property Holdings) Limited, a private limited company incorporated in England and Wales (the "Obligor's Agent" and the "Borrower Account Holder").

Parent and Mixer: General Healthcare Mixer Partnership LLP, a limited liability partnership established under the laws of England and Wales (the "Parent" and "Mixer").

Topco: GHG (BVI Holdings) Limited, a private limited company incorporated in the British Virgin Islands ("Topco").

Tenant: BMI Healthcare Limited, a private limited company incorporated under the laws of England and Wales with registered number 02164270, having its registered office at 66 Chiltern Street, 10th Floor, London, W1U 6GH (the "Tenant").

The Tenant is the sole tenant of the Properties under the Leases. See "The Leases" and "Description Of The Property Portfolio".

The Tenant and certain other members of the Tenant Group entered into a facility agreement with certain financial institutions as lenders and Barclays Bank PLC as facility agent and security agent on 9 October 2006 (the "Opco Facility Agreement"). Under the Opco Facility Agreement, the Tenant gives security over its assets, agrees to comply with certain financial and other covenants and guarantees the performance of each other borrower thereunder.

- Obligors:** Each of the Borrowers, each Holdco, the Obligor's Agent and the Borrower Account Holder (the "**Obligors**").
- Propco Group:** Each Obligor and their respective subsidiaries (the "**Propco Group**").
- Facility Agent:** Barclays Bank PLC, acting through its office at 5 The North Colonnade, London E14 4BB, has been appointed to act as agent of the Lenders pursuant to the terms of the Propco Facility Agreement (in such capacity, the "**Facility Agent**").
- Borrower Security Trustee:** Barclays Capital Mortgage Servicing Limited, acting through its office at 5 The North Colonnade, London E14 4BB, has been appointed as security trustee of the Finance Parties (in such capacity, the "**Borrower Security Trustee**") pursuant to the terms of the Propco Facility Agreement.
- The Borrower Security Trustee holds the security granted by, amongst others, the Obligors pursuant to the Borrower Security Documents (the "**Borrower Security**") on trust for the Finance Parties.
- See "*The Propco Facility Agreement and the Borrower Security*".
- Property Monitor:** DTZ Debenham Tie Leung Limited has been appointed as property monitor (the "**Property Monitor**") on behalf of the Facility Agent in respect of the Property Portfolio pursuant to the terms of the Property Monitoring Agreement. See "*The Senior Loans and Borrower Security - Property Monitoring Agreement*".
- Hedge Counterparties:** Barclays Bank PLC, whose registered office is 1 Churchill Place, London E14 5HP, Dresdner Bank AG, whose registered office is Jürgen-Ponto Platz 1, 60301 Frankfurt (Main), Germany, HBOS Treasury Services PLC, whose registered office is 33 Old Broad Street, London EC2N 1HZ and Mizuho Corporate Bank, Limited, whose registered office is Bracken House, One Friday Street, London EC4M 9JA are the interest rate swap providers (the "**Hedge Counterparties**") pursuant to certain interest rate swap transactions with the Borrowers (the "**Borrower Hedge Transactions**").
- The Borrower Hedge Transactions address interest rate risk arising in connection with the Propco Loans. See "*Hedge Agreements*".
- Rating Agencies:** S&P (in respect of each Class of Notes) and Fitch (in respect of the Class C Notes and Class D Notes only).
- The ratings assigned to each Class of Notes by the Rating Agencies address the likelihood of full and timely payment to the holders of each Class of Notes of all payments of interest on the Notes on each Note Payment Date and the ultimate payment of principal on

the Notes on or by the Note Final Maturity Date.

Arranger and Lead Manager:

Barclays Capital, the investment banking division of Barclays Bank PLC, acting through its office at 5 The North Colonnade, London E14 4BB, will act as arranger and lead manager in respect of the issue of the Notes (in each such capacity, respectively, the "**Arranger**" and the "**Lead Manager**").

Co-Manager:

Danske Bank A/S, acting through its offices at Holmens Kanal 2-12, DK-1092 Copenhagen K, Denmark, will act as co-manager in respect of the issue of the Notes (the "**Co-Manager**" and together with the Lead Manager, the "**Managers**").

RELEVANT DATES AND PERIODS

- Closing Date:*** The Notes will be issued on or about 11 May 2007 (or such later date as the Issuer may agree with the Lead Manager and the Arranger) (the "**Closing Date**"). Prior to the sale of the Senior Loans to the Issuer on the Closing Date, all rights and obligations in respect of the Senior Loans will belong to the Sellers.
- Loan Interest Payment Date:*** "**Loan Interest Payment Date**" means 15 January, 15 April, 15 July and 15 October in each year until (and including) the Loan Final Maturity Date with the first Loan Interest Payment Date being 15 October 2006. If, however, such day is not a Loan Business Day, the Loan Interest Payment Date will instead be the next Loan Business Day in that calendar month (if there is one) or the preceding Loan Business Day (if there is not).
- Loan Interest Period:*** Interest accrues on the Senior Loans from and including a Loan Interest Payment Date up to but excluding the next succeeding Loan Interest Payment Date (each, a "**Loan Interest Period**"). Interest is payable quarterly in arrear on each Loan Interest Payment Date in respect of the immediately preceding Loan Interest Period.
- Loan Final Maturity Date:*** The "**Loan Final Maturity Date**" is 15 October 2013. If, however, such day is not a Loan Business Day, the Loan Final Maturity Date will instead be the next Loan Business Day in that calendar month (if there is one) or the preceding Loan Business Day (if there is not).
- Note Payment Date:*** "**Note Payment Date**" means 15 January, 15 April, 15 July and 15 October in each year. If, however, such day is not a Note Business Day, the Note Payment Date will instead be the next Note Business Day in that calendar month (if there is one) or the preceding Note Business Day (if there is not).
- Note Interest Period:*** Interest accrues on the Notes from and including a Note Payment Date up to but excluding the next succeeding Note Payment Date (each, a "**Note Interest Period**"). Interest is payable quarterly in arrear on each Note Payment Date in respect of the immediately preceding Note Interest Period.
- Note Calculation Date:*** The "**Note Calculation Date**" in respect of a Note Interest Period is the Note Business Day falling three Note Business Days prior to the each Note Payment Date.
- Expected Maturity Date:*** The date on which the Notes are expected to be redeemed in full at their Principal Amount Outstanding together with accrued but unpaid interest and Step-up Fees, being the Note Payment Date falling in October 2013 (the "**Expected Maturity Date**").
- Step-up Date:*** Step-up Fees will start to accrue from and including 15 October 2013 (the "**Step-up Date**") on each Class of Notes.

- Note Final Maturity Date:*** The date on which the Notes are required to be redeemed in full at their Principal Amount Outstanding together with accrued but unpaid interest and Step-up Fees, being the Note Payment Date falling in October 2031 (the "**Note Final Maturity Date**").
- Note Business Day:*** "**Note Business Day**" means any day, other than a Saturday or Sunday, on which commercial banks are open for general business in London and Dublin.
- Loan Business Day:*** "**Loan Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for general business in London.
- Collection Period:*** Amounts available for payment on the Notes on any Note Payment Date will depend on amounts paid to the Issuer under the Propco Facility Agreement and the Intercreditor Agreements (the "**Collections**") received with respect to the Senior Loans during the related Collection Period, any Liquidity Shortfall Drawings relating to such Note Payment Date and any other amount standing to the credit of the Issuer Transaction Account. Each "**Collection Period**" will:
- (a) relate to the Note Payment Date falling on the last day of such Collection Period;
 - (b) start from (but exclude) the preceding Note Payment Date (or in the case of the first Collection Period, will start from and include the Closing Date); and
 - (c) end on (and include) the Note Payment Date falling on the last day of such Collection Period.

KEY CHARACTERISTICS OF THE PROPERTY PORTFOLIO

Properties:

The property portfolio (the "**Property Portfolio**") comprises thirty-six properties providing health care services (the "**Properties**"). Thirty-three of the properties in the Property Portfolio are freehold/heritable properties constituting absolute ownership of the property (with one of those Properties, Alexandra Hospital, comprising a small leasehold portion that is to be transferred to the relevant Borrower (see "*Risk Factors - Title*" below)). The remaining three properties in the Property Portfolio are long leasehold properties constituting ownership of the Property subject to an annual payment of a ground rent to the owner of the freehold title. See "*Description Of The Property Portfolio*".

Leases:

Each of the Properties is subject to an occupational lease (each a "**Lease**" and, together the "**Leases**"). See "*The Leases*". Each Lease in respect of the Properties is on the same terms (other than specific matters relating to the description of or title to the Property and the level of rent) and, in the case of Leases deriving from a superior lease, changes required to reflect the terms of the superior lease.

All of the Leases relating to the Properties are "full repairing and insuring leases" ("**FRI Leases**"). See "*The Leases*".

Valuation:

DTZ Debenham Tie Leung Limited (the "**Valuer**") valued the Property Portfolio as at 30 June 2006 at £2,125,000,000 (the "**Valuation**") in their valuation report dated 27 July 2006 (the "**Property Valuation Report**"). See "*Description of the Property Portfolio*" and "*Property Valuation Report*" below for full details of the Valuation.

PRINCIPAL FEATURES OF THE NOTES

- Amount and Title:*** The £231,000,000 Class A Commercial Mortgage-Backed Floating Rate Notes due 2031, the £57,000,000 Class B Commercial Mortgage-Backed Floating Rate Notes due 2031, the £54,000,000 Class C Commercial Mortgage-Backed Floating Rate Notes due 2031 and the £54,000,000 Class D Commercial Mortgage-Backed Floating Rate Notes due 2031 (the "Notes") will be issued by the Issuer on the Closing Date.
- Form and Denominations:*** The Notes of each Class will initially be represented by Temporary Global Notes without Coupons or Receipts, which will be deposited with a common depository (the "Common Depository") for Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") on the Closing Date.
- Interests in each Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note representing Notes of the same Class, without Coupons or Receipts, not earlier than forty (40) days after the Closing Date upon certification of non-U.S. beneficial ownership.
- In certain limited circumstances, Definitive Notes with Coupons and Receipts attached will be issued in exchange for a Permanent Global Note. See Condition 2 (*Definitive Notes*).
- The Definitive Notes for the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be issued in bearer form in minimum denominations of £50,000 and integral multiples of £1,000 in excess thereof, up to and including £99,000, and tradeable in denominations of £50,000 and integral multiples of £1,000 in excess thereof.
- Status and Ranking:*** Each Class of Notes will be constituted by the Trust Deed and will be secured by the Issuer Security created under the Issuer Deed of Charge.
- The Notes will constitute direct, secured, unconditional and (other than between different Classes of Notes) unsubordinated obligations of the Issuer.
- The obligations of the Issuer in respect of the Notes will rank in the following order in point of security and as to payments of interest:
- (a) *first, pro rata and pari passu* without preference amongst themselves, the Class A Notes;
 - (b) *second, pro rata and pari passu* without preference amongst themselves, the Class B Notes;
 - (c) *third, pro rata and pari passu* without preference amongst

themselves, the Class C Notes; and

- (d) *fourth, pro rata and pari passu* without preference amongst themselves, the Class D Notes.

Payments of interest on the Notes will rank behind the payment of certain other amounts by the Issuer (including payments of fees, costs and expenses of and payment of indemnity claims (as applicable) to, amongst others, the Trustee, the Principal Paying Agent, the Irish Paying Agent, the Agent Bank, the Cash Manager and the Issuer Account Bank).

Prior to the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Trustee or the Notes otherwise becoming due and repayable in full, payments of interest in respect of each Class of Notes will be made in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

Prior to the Note Final Maturity Date and to the extent that the Class B Notes, the Class C Notes or the Class D Notes are not at such time the then Most Senior Class of Notes then outstanding, the holders of the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, will be entitled to receive payments of interest on their Notes on any Note Payment Date only to the extent that the Issuer has funds available for such purpose after making payment on such Note Payment Date of any liabilities ranking in priority to the Class B Notes, the Class C Notes or the Class D Notes, respectively. In such circumstances, any interest on any Class B Notes, Class C Notes and/or Class D Notes not paid on a Note Payment Date will itself accrue interest and will be paid to the holders of the Class B Notes, the Class C Notes and/or the Class D Notes, respectively, on subsequent Note Payment Dates to the extent the Issuer has funds available for such purpose after paying in full on such Note Payment Date all payments ranking in priority thereto as aforesaid. See Condition 16 (*Subordination by Deferral*).

Prior to the Note Final Maturity Date (or such earlier date on which the Notes become immediately due and repayable in accordance with the Conditions), the non-payment of any interest on any Class or Classes of Notes ranking below the Most Senior Class of Notes then outstanding shall not constitute a Note Event of Default. See Condition 10.1(c)(i) (*Note Events of Default*).

Prior to the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Trustee or the Notes otherwise becoming due and repayable in full, the obligations of the Issuer in respect of principal payments on each Class of Notes will be met in the manner described in Condition 6.3 (*Mandatory Redemption in part from Available Issuer Principal and Available Release Premium Amounts*).

The non-payment of any principal in respect of any Class of Notes

when due in accordance with Condition 6 (*Redemption*) shall, subject to the expiry of the applicable grace periods, constitute a Note Event of Default. See Condition 10.1(c)(i) (*Note Events of Default*).

Security for the Notes and Other Secured Obligations:

The Notes will be secured by first ranking security created pursuant to the Issuer Deed of Charge. The Trustee will hold the benefit of such security on trust for itself and the other Issuer Secured Creditors.

The Issuer Deed of Charge will create first ranking security interests over, amongst other things, the Issuer's rights, interest and benefit in the Issuer Transaction Documents (other than the Trust Documents), its rights, interest and benefit in respect of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time acquire a benefit and its right, interest and benefit in the Finance Documents, the Intercreditor Agreements and each Eligible Investment.

"Issuer Transaction Documents" means the Trust Deed, the Issuer Deed of Charge, the Servicing Agreement, the Cash Management Agreement, the Issuer Account Bank Agreement, the Loan Sale Documents, the Liquidity Facility Agreement, the Agency Agreement, the Subscription Agreement, the Corporate Services Agreement, the Master Definitions Schedule and any other document designated as such by the Issuer and the Trustee.

"Trust Documents" means the Trust Deed and the Issuer Deed of Charge and (unless the context otherwise requires) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Issuer Deed of Charge and expressed to be supplemental to the Trust Deed or the Issuer Deed of Charge.

The Notes will also be secured in favour of the Trustee (on behalf of itself and the other Issuer Secured Creditors) by a first ranking floating charge over all of the Issuer's undertaking and all its property, assets and rights whatsoever and wheresoever situated, present and future, including its uncalled capital.

Upon the occurrence of a Note Event of Default and the delivery of a Note Enforcement Notice by the Trustee or the Notes otherwise becoming due and repayable in full, payments in respect of each Class of Notes will rank in accordance with the Issuer Post-Enforcement Priority of Payments.

For a more detailed description of the provisions of the Issuer Deed of Charge see "*Summary of the Issuer Transaction Documents – Issuer Deed of Charge*". For a more detailed description of the Issuer Post-Enforcement Priority of Payments, see "*Cashflows*" and Condition 11 (*Enforcement*).

Conflicts of Interest Among Noteholders: The Trust Deed contains provisions requiring the Trustee to, unless otherwise provided, 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**") and the holders of the Class D Notes (the "**Class D Noteholders**" and, together with the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the "**Noteholders**") as if they formed a single Class. Where, however, in the opinion of the Trustee there is a conflict between the interests of any of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the Trustee shall give priority to the interests of the holders of the Most Senior Class of Notes then outstanding.

If a conflict exists between the interests of the Noteholders and the interests of the other Issuer Secured Creditors, the Trustee is required to have regard solely to the interests of the Noteholders and no other Issuer Secured Creditor shall have any claim against the Trustee for so doing.

Interest Rates on the Notes: The Notes will bear interest at the London Interbank Offered Rate ("**LIBOR**") for 3 month sterling deposits (save that in the case of the first Note Interest Period, the rate will be obtained from a linear interpolation of LIBOR for 2 and 3 month sterling deposits) as calculated in accordance with the Conditions, plus, in respect of each Class, the Relevant Margin.

The "**Relevant Margin**" for each Class of Notes will be:

Class A Notes: 0.41 per cent. per annum;

Class B Notes: 0.46 per cent. per annum;

Class C Notes: 0.70 per cent. per annum; and

Class D Notes: 0.95 per cent. per annum.

Step-up Fees: With respect to the Class A Notes, for each Note Interest Period commencing on (and including) the Step-up Date up to the date on which the Class A Notes are redeemed in full, a fee will become payable and will accrue at an annual rate equal to the sum of 0.41 per cent. (the "**Class A Step-up Fee Rate**") multiplied by the Principal Amount Outstanding of the Class A Notes (such sum, the "**Class A Step-up Fee**").

With respect to the Class B Notes, for each Note Interest Period commencing on (and including) the Step-up Date up to the date on which the Class B Notes are redeemed in full, a fee will become payable and will accrue at an annual rate equal to the sum of 0.46 per cent. (the "**Class B Step-up Fee Rate**") multiplied by the Principal Amount Outstanding of the Class B Notes (such sum, the "**Class B Step-up Fee**").

With respect to the Class C Notes, for each Note Interest Period

commencing on (and including) the Step-up Date up to the date on which the Class C Notes are redeemed in full, a fee will become payable and will accrue at an annual rate equal to the sum of 0.70 per cent. (the "**Class C Step-up Fee Rate**") multiplied by the Principal Amount Outstanding of the Class C Notes (such sum, the "**Class C Step-up Fee**").

With respect to the Class D Notes, for each Note Interest Period commencing on (and including) the Step-up Date up to the date on which the Class D Notes are redeemed in full, a fee will become payable and will accrue at an annual rate equal to the sum of 0.95 per cent. (the "**Class D Step-up Fee Rate**") multiplied by the Principal Amount Outstanding of the Class D Notes (such sum, the "**Class D Step-up Fee**" and, together with the Class A Step-up Fee, the Class B Step-up Fee and the Class C Step-up Fee, the "**Step-up Fees**").

Prior to the Note Final Maturity Date, the Noteholders will be entitled to receive Step-up Fees on their Notes on any Note Payment Date only to the extent that the Issuer has funds available for such purpose after making payment on such Note Payment Date of any liabilities ranking in priority to the respective Step-up Fees.. In such circumstances, any Step-up Fee not paid on a Note Payment Date will itself accrue interest and will be paid to the relevant Noteholders on subsequent Note Payment Dates to the extent the Issuer has funds available for such purpose after paying in full on such Note Payment Date all payments ranking in priority thereto as aforesaid. See Condition 16 (*Subordination by Deferral*).

Any such deferral of Step-up Fees will not constitute a Note Event of Default pursuant to Condition 10 (*Note Events of Default*).

Interest Determination Date:

The rate of interest applicable to each Note for each Note Interest Period will be calculated and set on the first day of the relevant Note Interest Period, subject to adjustment in the event the Notes are redenominated into euro. See Condition 5.3 (*Rates of Interest*).

Principal Amount Outstanding:

"**Principal Amount Outstanding**" means, in respect of any Note at any time, the principal amount represented by that Note as at the Closing Date as reduced by any repayment of principal to the holder of the Note up to (and including) that time.

Final Redemption:

Unless previously redeemed in full, the Notes will be redeemed at their Principal Amount Outstanding on the Note Final Maturity Date, together with accrued but unpaid interest and Step-up Fees on the Principal Amount Outstanding of such Note up to but excluding the date on which such redemption occurs.

See Condition 6.1 (*Final Redemption*).

Mandatory Redemption in part:

Prior to the delivery of a Note Enforcement Notice or the Notes becoming otherwise due and repayable in full and to the extent that the Issuer receives principal receipts in respect of the Senior Loans, the Notes will be subject to mandatory redemption in part on each

Note Payment Date in the manner described in Condition 6.3 (*Mandatory Redemption in part from Available Issuer Principal and Available Release Premium Amounts*). Principal receipts will be applied by the Issuer either sequentially or on a *pro rata* basis as set out in Condition 6.3 (*Mandatory Redemption in part from Available Issuer Principal and Available Release Premium Amounts*).

***Redemption
for Taxation or other
reasons:***

If the Issuer at any time satisfies the Trustee in accordance with Condition 6.2 (*Redemption for taxation and other reasons*) that

- (a) on or before the occasion of the next Note Payment Date, the Issuer would become subject to tax on its income in more than one jurisdiction;
- (b) on the occasion of the next Note Payment Date, the Issuer or a person acting on behalf of the Issuer, would be required to make any withholding or deduction for or on account of any Taxes from any payment of principal or interest in respect of any of the Notes;
- (c) on or before the occasion of the next Note Payment Date, the Issuer would suffer any withholding or deduction from any payment in respect of a Senior Loan for or on account of any Taxes; or
- (d) by reason of a change of law since the Closing Date, it has become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any advances made or to be made by it under the Propco Facility Agreement,

then the Issuer shall, in order to address the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as the principal debtor under the Notes, which substitution would have the result of avoiding the event described above.

If the Issuer is unable, having used its reasonable endeavours, to arrange such a substitution described above, the Issuer may, subject as provided in Condition 6.2 (*Redemption for taxation or other reasons*), upon giving not more than 60 and not less than 30 days' notice to the Noteholders and provided that it has satisfied the Trustee that it has sufficient funds available to it, redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with accrued but unpaid interest and Step-up Fees and pay any other amounts required under the relevant Issuer Priority of Payments to be paid *pari passu* with, or in priority to, the Notes, on the next Note Payment Date.

***Redemption upon exercise of
call option:***

The Notes will be subject to mandatory redemption in full, but not in part, if (a) the aggregate Principal Amount Outstanding of all the Notes then outstanding is less than 10 per cent. of the Principal

Amount Outstanding of all the Notes issued on the Closing Date; (b) the aggregate principal amount outstanding of all of the Theatre (Hospitals) No. 2 Notes then outstanding is less than 10 per cent. of the principal amount outstanding of all of the Theatre (Hospitals) No. 2 Notes issued on the Closing Date; and (c) the Master Servicer or the Special Servicer exercises its call option subject to the requirements of Condition 6.4 (*Redemption upon exercise of Servicer Call Option*).

Pursuant to the Servicing Agreement, the Master Servicer or the Special Servicer will only be permitted to exercise its call option subject to the requirements of Condition 6.4 (*Redemption upon exercise of Servicer Call Option*), if it simultaneously exercises its corresponding call option under the Theatre (Hospitals) No. 2 Securitisation.

In any such case, the Master Servicer or the Special Servicer must certify to the Trustee that it will have sufficient funds available to it on the relevant Note Payment Date to discharge all of the Issuer's liabilities in respect of the Notes and any amounts payable under the Cash Management Agreement, the Issuer Deed of Charge and the Trust Deed (including all amounts and expenses payable to and incurred by the Trustee and its appointees) to be paid in priority to, or *pari passu* with, the Notes on such Note Payment Date, all in accordance with Condition 6.4 (*Redemption upon exercise of Servicer Call Option*).

Withholding Tax:

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes unless such withholding or deduction is required by applicable law.

Neither the Issuer, the Paying Agents nor any other person will be obliged to pay any additional amounts to Noteholders (or, if Definitive Notes are issued, couponholders and/or receiptholders) in respect of any amounts required to be withheld or deducted. See "*Taxation In The United Kingdom*".

Liquidity Facility:

Pursuant to the terms of the Liquidity Facility Agreement the Liquidity Facility Provider will make a committed 364-day revolving facility of up to an initial maximum principal amount of £57 million available to the Issuer from the Closing Date (the "**Liquidity Facility**").

Subject to the terms of the Liquidity Facility Agreement, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amounts available to the Issuer to make payments of, amongst other items, interest due on the Class A Notes, the Class B Notes, the Class C Notes and/or the Class D Notes, *provided that*, whilst any Class A Notes or Class B Notes are outstanding, the Cash Manager (on behalf of the Issuer) may not make a Liquidity Shortfall Drawing in respect of the Class C Notes or the Class D Notes if such drawing

would result in more than 11.30 per cent. of the aggregate Principal Amount Outstanding of the Class C Notes or 11.90 per cent. of the aggregate Principal Amount Outstanding of the Class D Notes (as the case may be) being drawn and outstanding respectively in respect of the Class C Notes or the Class D Notes.

The availability of the Liquidity Facility is subject to the satisfaction of certain conditions and the non-occurrence of certain events of default.

Amounts drawn by the Issuer pursuant to the terms of the Liquidity Facility Agreement will be repayable to the Liquidity Facility Provider (together with, amongst other things, any interest thereon) on the subsequent Note Payment Date in accordance with the Issuer Payment Priorities.

See "*Summary Of The Issuer Transaction Documents - Liquidity Facility Agreement*".

Purchases:

The Issuer will not be permitted to purchase any of the Notes.

**Qualifying Resolutions and
Qualifying Extraordinary
Resolutions:**

For the purposes of the terms of the Trust Deed and the Conditions relating to the quorum and poll requirements in respect of passing resolutions to take certain actions, including, among others, to remove the Special Servicer or to appoint the Operating Adviser (and for the purposes of the similar provisions of the Theatre (Hospitals) 2 Securitisation), the participations of the Minority Senior Lenders in each Whole Senior Loan will be proportionately divided between the Issuer and Theatre (Hospitals) No. 2 in the proportion that the aggregate of the Senior Loans bears to the Theatre (Hospitals) No. 2 Portion. The "**Relevant Senior Loan Minority Portion**" proportionately allocated to Issuer will be 60 per cent. of the Senior Loan Minority Portion and, as at the Closing Date, will be an amount equal to £179,654,545.45. The Relevant Senior Loan Minority Portion will equate to 31.21 per cent. of the aggregate of the Senior Loans and the Relevant Senior Loan Minority Portion.

Accordingly, pursuant to the terms of the Trust Deed, the quorum and poll requirements in respect of passing resolutions to take certain actions as described above, are modified such that the 31.21 per cent. interests of the Minority Senior Lenders in the aggregate of the Senior Loans and the Relevant Senior Loan Minority Portion shall be deemed to equal a notional 31.21 per cent. amount of an expanded aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes (see Condition 12 (*Meetings of Noteholders, Modification, Waiver and Discretions*)).

Ratings:

The ratings expected to be assigned to each Class of Notes are set out in "*Principal Characteristics of The Notes*" above.

A credit 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 and

each security rating should be evaluated independently of any other rating.

Listing:

Application has been made to the Irish Financial Services Regulatory Authority, in its capacity as competent authority under the Prospectus Directive, for the Prospectus to be approved.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Selling Restrictions:

There are restrictions on the sale of the Notes and on the distribution of information in respect thereof. See "*Subscription And Sale*".

Transfer Restrictions:

Subject to applicable laws and regulations, there are no transfer restrictions in respect of the Notes.

Governing Law:

The Notes and the Issuer Transaction Documents will be governed by English law.

RISK FACTORS

The following is a summary of certain aspects of the Notes, the Issuer and the related transactions about which prospective Noteholders should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors detailed below. This summary is not intended to be exhaustive, and prospective Noteholders should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus prior to making an investment decision.

Considerations Relating to the Notes

Liability under the Notes

The Issuer is the only entity responsible for making any payments on the Notes. The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, any of the Arranger, the Lead Manager, the Co-Manager, the Sellers, the Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Issuer Account Bank, the Cash Manager, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Share Trustee, the Borrowers, the Guarantors, the Borrower Security Trustee, the Facility Agent, the Hedge Counterparties, the Property Monitor, the Tenant or any of their respective associated bodies, affiliates or shareholders (other than the Issuer).

Furthermore, no person other than the Issuer will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

Limited Resources

The Issuer is a special purpose financing entity with no business operations other than the issue of the Notes and the entering into of the Loan Sale Agreement, the Liquidity Facility Agreement and the other Issuer Transaction Documents.

The ability of the Issuer to meet its obligations under the Notes and its ability to pay its operating and administrative expenses will depend primarily on the receipt by it of funds from the Borrowers under the Senior Loans and the receipt of interest from the relevant Issuer Accounts. The ability of the Borrowers to meet their obligations under the Propco Facility Agreement will depend primarily on the receipt by them of rent from the Tenant under the Leases of the Properties, the receipt of interest from the relevant Control Accounts and receipt of payments from the Hedge Counterparties under the Hedge Agreements.

In the event that full and timely payments of interest (but not principal) are not made by the Borrowers under the Senior Loans, the Issuer may also have available to it (subject to the satisfaction of the conditions for advances) advances under the Liquidity Facility Agreement to make payments of interest on the Notes and payments of amounts ranking in priority thereto. See "*Summary Of The Issuer Transaction Documents – Liquidity Facility Agreement*".

Other than the foregoing, prior to enforcement of the Issuer Security, the Issuer will not have any other funds available to it to meet its obligations under the Notes and its obligations ranking in priority to, or *pari passu* with, the Notes. If the resources described above cannot provide the Issuer with sufficient funds to enable the Issuer to make the required payments on the Notes, the Noteholders may incur a loss of interest and/or principal which would otherwise be paid in accordance with the terms of the

Notes.

If, on default by the Borrowers and following the exercise of all available remedies in respect of the Propco Facility Agreement and the Borrower Security, the Issuer does not receive the full amount due from the Borrowers or, as the case may be, the Guarantors, then the Noteholders (or the holders of certain Classes of Notes) may receive on redemption an amount less than the face value of their Notes and the Issuer may be unable to pay in full, interest due on the Notes. The Issuer does not guarantee or warrant full and timely payment by the Borrowers or, as the case may be, the Guarantors of any sums.

Limited Recourse

If, on the Note Final Maturity Date, the Issuer is unable to pay all amounts then due under the Notes having used all funds available to it in accordance with the applicable Issuer Priority of Payments, the Issuer's obligation to pay any amount left outstanding to the Noteholders under the Notes and any claim that the Noteholders may have against the Issuer in respect of such outstanding amounts will be extinguished. If there is a shortfall in interest, principal and/or fee payments then due and payable pursuant to the Conditions, the Issuer may not have sufficient funds to make payments on the relevant Class of Note and the Noteholders may incur a loss on interest, principal or other amounts which would otherwise be then due and payable on the relevant Class of Notes.

Absence of Secondary Market; Limited Liquidity

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. However, the Notes will be new securities for which there is no established trading market. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide holders of the Notes with liquidity of investment, or that it will continue for the life of the Notes. Consequently, prospective purchasers of the Notes should be aware that they may have to hold the Notes until their maturity.

In addition, the market value of the Notes may fluctuate with changes in prevailing rates of interest, market perceptions of the risks associated with the Notes, supply and other market conditions. 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 such Notes.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each Class will depend on, amongst other things, the amount and timing of repayment and prepayment of principal (including prepayments from, amongst other things, sale proceeds arising from a disposal of a Property) on the Senior Loans and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayment on the Senior Loans.

The rate of prepayment of the Senior Loans cannot be predicted and will be influenced by a wide variety of economic and other factors, including prevailing interest rates, the buoyancy of the property market, the availability of alternative financing and local and regional economic conditions. Therefore, no assurance can be given as to the level of prepayment that will be experienced.

Each Borrower has the option to prepay its Senior Loan at any time, although, if a Borrower chooses to do so it may be required to pay certain Prepayment Fees in accordance with the Propco Facility Agreement. Any Prepayment Fees will go towards payments of Deferred Consideration to the Sellers

or its assignee and will not be available to make any payments in respect of the Notes. For further information, see "*Cashflows*" below.

In addition, in certain circumstances the Junior Lenders will, in accordance with the terms of the Intercreditor Agreement, have the right to purchase the Senior Loans. Any purchase by the Junior Lenders will effect a redemption of the Notes in accordance with Condition 6.3 (*Mandatory Redemption in Part from Available Issuer Principal and Available Release Premium Amounts*).

Ratings of the Notes

The ratings assigned to each Class of Notes by the Rating Agencies address the likelihood of full and timely payment to each Class of Notes of all payments of interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on each Note Payment Date and the full and ultimate payment of principal on the Notes on or before the Note Final Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant.

Rating agencies other than the Rating Agencies could seek to rate the Notes and if such "**unsolicited ratings**" are lower than the comparable rating assigned to the Notes by the Rating Agencies, such 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 a "**rating**" in this Prospectus are to ratings assigned by the Rating Agencies only. Future events, including events affecting the Properties and/or the commercial property market generally, could have an adverse impact on the ratings of the Notes.

In addition, where a particular matter (including the determination of material prejudice by the Trustee) involves the Rating Agencies being requested to confirm the then current ratings of the Notes, such confirmation may or may not be given at the sole discretion of the Rating Agencies. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide its confirmation in the time available or at all, and it will not be responsible for the consequences thereof.

Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Notes form part since the Closing Date. A confirmation of ratings represents only a restatement of the opinions given at the Closing Date, and cannot be construed as advice for the benefit of any parties to the transaction or as confirmation that an event or amendment is in the best interest of, or not materially prejudicial to the interests of, the Noteholders. No assurance can be given that a requirement to seek a ratings confirmation will not have a subsequent impact upon the business of the Issuer.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or suspension.

Denominations and trading

The Notes of each Class will be issued in the denomination of £50,000 and integral multiples of £1,000 in excess thereof. For so long as the Notes of any relevant Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. A Noteholder who, as a result of trading such amounts, holds a principal amount of less £50,000 may not receive a Definitive

Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £50,000 or more.

The Issuer's Reliance on Third Parties

The Issuer is a party to contracts with a number of third parties who have agreed to perform certain services in relation to, amongst other things the Notes. For example, the Liquidity Facility Provider has agreed to provide the Liquidity Facility, the Corporate Services Provider has agreed to provide various corporate services to the Issuer and the Cash Manager, the Master Servicer, the Special Servicer, the Paying Agents and the Agent Bank have agreed to provide, amongst other things, payment, administration and calculation services in connection with the Notes and servicing in connection with the Senior Loans. In the event that any relevant third party fails to perform its obligations under the respective agreements to which it is a party, the Noteholders may be adversely affected.

Priority of Issuer Secured Creditors

In the event that the Issuer Security is enforced, the proceeds of such enforcement may be insufficient, after payment of amounts ranking in priority to the Notes, to pay in full, all amounts of principal and interest (and any other amounts) due in respect of the Notes.

Although the Trustee will hold the benefit of the Issuer Security created under the Issuer Deed of Charge on trust for, amongst others, the Noteholders, such Issuer Security will also be held on trust for certain other third parties whom or which will rank ahead of the Noteholders.

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amounts available to the Issuer to make payments of senior ranking expenses and interest on the Notes, *provided that*, whilst any Class A Notes or Class B Notes are outstanding, the Issuer may not make a drawing in respect of the Class C Notes or the Class D Notes if such drawing would result in more than 11.30 per cent. of the aggregate Principal Amount Outstanding of the Class C Notes or 11.90 per cent. of the aggregate Principal Amount Outstanding of the Class D Notes (as the case may be) being drawn and outstanding respectively in respect of the Class C Notes or the Class D Notes. The Liquidity Facility will also be available to the Issuer in respect of the payment of certain costs of the Borrowers and if a Borrower fails to make payments due under any Hedge Agreement.

In the event that one or more of certain events of default by the Issuer is outstanding under the Liquidity Facility Agreement, including non-payment of amounts payable by the Issuer to the Liquidity Bank, the Liquidity Bank may cancel the Liquidity Facility and/or declare that all or part of any amounts outstanding under the Liquidity Facility are (i) immediately due and payable and/or (ii) payable on demand by the Liquidity Bank.

The initial Liquidity Facility Agreement will expire 364 days after the Closing Date, although it is extendable. The Liquidity Bank is not obliged to extend or renew the Liquidity Facility at its expiry, but if it does not renew or extend the Liquidity Facility on request then the Issuer will, subject to certain terms, be required to make a Liquidity Stand-by Drawing and place the proceeds of that drawing on deposit in the Liquidity Stand-by Account.

The Liquidity Bank will be entitled to receive interest and repayments of principal on drawings made under the Liquidity Facility Agreement in priority to payments to be made to Noteholders (which may ultimately reduce the amount available for distribution to Noteholders).

See "Summary Of The Issuer Transaction Documents - Liquidity Facility Agreement".

Subordination of the Class B Notes, the Class C Notes, the Class D Notes and Step-up Fees

After enforcement of the Issuer Security, payments of principal and interest on the Class A Notes will be made in priority to (i) payments of principal and interest on the Class B Notes, the Class C Notes and the Class D Notes; and (ii) payments of Step-up Fees. Payments of principal and interest on the Class B Notes will be made in priority to (i) payments of principal and interest on the Class C Notes and the Class D Notes; and (ii) payments of Step-up Fees. Payments of principal and interest on the Class C Notes will be made in priority to (i) payments of principal and interest on the Class D Notes; and (ii) payments of Step-up Fees. Payments of Class A Step-up Fees will be made in priority to payments of Class B Step-up Fees, Class C Step-up Fees and Class D Step-up Fees. Payments of Class B Step-up Fees will be made in priority to payments of Class C Step-up Fees and Class D Step-up Fees. Payments of Class C Step-up Fees will be made in priority to payments of Class D Step-up Fees.

If, on any Note Payment Date prior to the Note Final Maturity Date or such earlier date as the Notes become immediately due and repayable under the Conditions, the Issuer has insufficient Adjusted Available Issuer Income to make payment in full of (i) interest due on any Class or Classes of Notes ranking below the Most Senior Class of Notes outstanding; or (ii) any Step-up Fees, then the Issuer will be entitled (pursuant to Condition 16 (*Subordination by Deferral*)), to defer payment of that amount (to the extent of the insufficiency) until the following Note Payment Date. Such deferral of interest (other than in respect of the Most Senior Class of Notes) or Step-up Fees will not constitute a Note Event of Default pursuant to Condition 10 (*Note Events of Default*).

Certain Decisions by the Trustee

The Trustee will be entitled to agree, without the consent of the Noteholders or any other Issuer Secured Creditors, with the Issuer and any other relevant party to any of the Issuer Transaction Documents in making any modification to the Conditions, the Trust Documents (other than, in the case of (a) below, in respect of a Basic Terms Modification), the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing, if:

- (a) in its opinion, the interests of the holders of the Most Senior Class of Notes then outstanding would not be materially prejudiced thereby; or
- (b) it is required to correct a manifest error or is of a formal, minor or technical nature.

The Trustee shall be entitled, to determine, in its own opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Issuer Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any Class of Noteholders and in making such a determination shall be entitled to take into account, amongst any other things it may consider necessary and/or appropriate in its absolute discretion, any confirmation by the Rating Agencies (if available) that the then current ratings of the Notes or, as the case may be, the Notes of the relevant Class will not be downgraded, withdrawn or qualified, and that, where any original rating of the Notes has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise. For the avoidance of doubt, such rating confirmation or non-receipt of such rating confirmation shall, however, not be construed to mean that any such action or inaction (or contemplated action or inaction) or such exercise (or contemplated exercise) by the Trustee of any the relevant right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the other Issuer Transaction Documents is not materially prejudicial to the interests of holders of the Notes or, as the

case may be, that Class of Notes and the non-receipt of such rating confirmation shall not be construed to mean that such exercise by the Trustee as aforesaid is materially prejudicial to the interests of the holders of the Notes or, as the case may be, the Notes of the relevant Class.

The Trust Deed will also contain provisions whereby the Minority Senior Lenders will be able to vote on Qualifying Resolutions and Qualifying Extraordinary Resolutions as though they were a Noteholder of the relevant Class or Classes, as the case may be, in the proportion which their respective commitments in the Relevant Senior Loan Minority Portion bears to the aggregate principal balance outstanding of the Relevant Senior Loan Minority Portion and the Senior Loans.

The Trust Deed and the Issuer Deed of Charge will provide that the Note Trustee is to have regard to the interests of the holders of all Classes of Notes ahead of any other Issuer Secured Creditor including, *inter alios*, the Liquidity Facility Provider. There may be circumstances, however, where the interests of one Class of Noteholders conflict with the interests of another Class of Noteholders. In such circumstances, the Trustee will give priority to the interests of the holders of the Most Senior Class of Notes in the event of a conflict between the interests of the most senior Class of Notes on the one hand and the Noteholders of any other Class or Classes on the other hand.

Conflicts of Interest in Respect of the Master Servicer and/or Special Servicer

The Master Servicer or, as the case may be, the Special Servicer may acquire Notes. Accordingly, the Master Servicer or, as the case may be, the Special Servicer could at any time have interests which conflict with the interests of the holders of the Notes. There will be no restrictions on the Master Servicer or, as the case may be, the Special Servicer preventing it from acquiring Notes, acquiring Theatre (Hospitals) No. 2 Notes, holding a Junior Loan or servicing loans for third parties, including loans similar to the Senior Loans. The properties securing any such loan may be in the same market as the Properties. Consequently, personnel of the Master Servicer or, as the case may be, the Special Servicer may perform services on behalf of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders with respect to the Servicing Agreement at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on the Master Servicer or, as the case may be, the Special Servicer to perform its servicing obligations in accordance with the terms of the Servicing Agreement (including the Servicing Standard), such other servicing obligations may pose inherent conflicts for the Master Servicer and, as the case may be, the Special Servicer. In particular, as the Master Servicer or, as the case may be, the Special Servicer may each acquire Notes (or Theatre (Hospitals) No. 2 Notes), either of them could, at any time hold any or all of the most junior Class of Notes then outstanding which comprise the Class of Notes entitled to appoint the Operating Adviser and the holders of that Class may have interests which conflict with the interests of Most Senior Classes of Notes then outstanding. Similarly, the Master Servicer or, as the case may be, the Special Servicer could, at any time, hold any or all of the most junior class of Theatre (Hospitals) No. 2 Notes then outstanding which comprise the Theatre (Hospitals) No. 2 Notes entitled to appoint an operating adviser under the Theatre (Hospitals) No. 2 Securitisation.

Appointment of Substitute Master Servicer and/or Special Servicer

In order for the termination of the Master Servicer or, as the case may be, the Special Servicer to be effective under the Servicing Agreement, a substitute must have been appointed (approved by both the Trustee and the Theatre (Hospitals) No. 2 Trustee). The appointment of any substitute Master Servicer or, as the case may be, substitute Special Servicer will not become effective unless certain conditions are met, including that the Ratings Test is satisfied. However, there is no guarantee that an appropriate substitute Master Servicer or, as the case may be, substitute Special Servicer could be found who would be willing to service the Propco Facility Agreement and the Borrower Security at a commercially

reasonable fee, or at all. Furthermore, the ability of any substitute Master Servicer or, as the case may be, substitute Special Servicer to service the Propco Facility Agreement and the Borrower Security successfully would depend on the information and records made available to it. In the case of the termination of the appointment of the Master Servicer or, as the case may be, the Special Servicer, although the Servicing Agreement provides for the fees payable to a substitute Master Servicer or, as the case may be, substitute Special Servicer to be consistent with those payable generally at that time for the provision of commercial mortgage loan servicing services in the United Kingdom, there can be no assurances that the fees payable by the Issuer to a substitute Master Servicer or, as the case may be, substitute Special Servicer would not be higher than those payable to the Master Servicer or, as the case may be, the Special Servicer on the Closing Date.

As with the fees payable to a Master Servicer or, as the case may be, Special Servicer, the fees and expenses of a substitute Master Servicer or, as the case may be, substitute Special Servicer would be payable in priority to payments of interest under the Notes. The Trustee has no obligation to, and will not, act as Master Servicer or, as the case may be, Special Servicer.

Theatre (Hospitals) No. 2 Securitisation

Under the Propco Facility Agreement and the Intercreditor Agreement, the Facility Agent and the Security Agent will, other than in respect of certain entrenched rights and certain enforcement scenarios, act in accordance with the directions of the Majority Senior Lenders (see "*The Propco Facility Agreement and the Borrower Security*" below). As at the Closing Date, the Senior Loans will constitute 41.27 per cent. of the Whole Senior Loans and therefore the Issuer will not, on its own, be a Majority Senior Lender for the purposes of the Propco Facility Agreement and the Intercreditor Agreement. However, as the Theatre (Hospitals) No. 2 Portion will on the Closing Date constitute 27.52 per cent. of the Whole Senior Loans, acting together, the Issuer and Theatre (Hospitals) No. 2 will be Majority Senior Lenders. Furthermore, the Master Servicer and the Special Servicer will be appointed by both the Issuer and Theatre (Hospitals) No. 2 and will therefore, prior to the Trustee Control Trigger, exercise the rights of both the Issuer and Theatre (Hospitals) No. 2 under the Propco Facility Agreement and the Intercreditor Agreement in accordance with the Servicing Standard. Following the Trustee Control Trigger, the Master Servicer and/or the Special Servicer (as the case may be) will be obliged to act in accordance with the directions of the Trustee and the Theatre (Hospitals) No. 2 Trustee (see "*Servicing*" below). Pursuant to the Conditions, the Trustee is required to have regard to the interests of each Class of Noteholders and, where there is a conflict between the interests of one Class of Noteholders and the interests of another Class of Noteholders, the Trustee will give priority to the interests of the holders of the Most Senior Class of Notes then outstanding (see "*Certain Decisions of the Trustee*" above). The Most Senior Class of Notes outstanding at any given time will correspond to the most senior class of Theatre (Hospitals) No. 2 Notes then outstanding (due to the *pro rata* principal paydown provisions contained in the Minority Senior Lender Intercreditor Agreement) and therefore, in the context of giving directions to the Master Servicer or, as the case may be, the Special Servicer under the Servicing Agreement, the Trustee and the Theatre (Hospitals) No. 2 Trustee will each be directed by noteholders of corresponding classes of Notes or, as the case may be, Theatre (Hospitals) No. 2 Notes.

The Issuer Transaction Documents will contain provisions the effect of which will be to ensure that the Trustee is always the same entity as the Theatre (Hospitals) No. 2 Trustee and that each of the Paying Agents, Agent Bank, Cash Manager, Liquidity Facility Provider, Issuer Account Bank and Corporate Services Provider appointed by the Issuer are the same as those appointed by Theatre (Hospitals) No. 2 under the Theatre (Hospitals) No. 2 Securitisation.

General legal investment considerations

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) it may legally invest in the Notes, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Tax Considerations Relating to the Issuer

Withholding Tax in Respect of the Notes

If any withholding or deduction for or on account of tax is required to be made from payments in respect of the Notes (as to which, in relation to United Kingdom tax, see "*Taxation In The United Kingdom*"), neither the Issuer, the Paying Agents nor any other person will be obliged to pay any additional amounts to Noteholders or, if Definitive Notes are issued, couponholders and/or receiptholders or to otherwise compensate Noteholders or couponholders and/or receiptholders for the reduction in the amounts they will receive as a result of such withholding or deduction. If the Issuer satisfies the Trustee that on the next Note Payment Date such a withholding or deduction would be required to be made for or on account of any United Kingdom Tax from a payment of principal, interest or other amount in respect of any of the Notes (or in certain other limited circumstances), the Issuer shall use its reasonable endeavours to substitute another company incorporated in an alternative jurisdiction (approved in writing by the Trustee) as principal debtor of the Notes and as lender under the Senior Loans. If the Issuer is unable to arrange such a substitution, then on any Note Payment Date pursuant to and in accordance with Condition 6.2 (*Redemption for taxation or other reasons*) the Issuer may, but shall not be obliged to, redeem (without premium or penalty) all (but not some only) of the Notes (in each case) at their Principal Amount Outstanding together with accrued but unpaid interest and Step-up Fees.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts to the

Noteholders or to otherwise compensate Noteholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the directive (if such a state exists).

UK Tax Regime for Securitisation Companies

The Taxation of Securitisation Companies Regulations (the "**Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Issuer with effect for their periods of account beginning on or after 1 January 2007. If the Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special taxation regime for which provision is made by the Regulations. Investors should note, however, that the Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the Regulations including whether any particular company falls within the new regime. Whilst the UK tax authorities have published draft guidance on the Regulations, that guidance has yet to be finalised and consequently may be the subject of amendment. Prospective Noteholders should note that if the Issuer were not taxed under the new regime then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to Noteholders.

Withholding Tax - General

A withholding or deduction for or on account of tax other than United Kingdom tax may be required to be made in circumstances other than those set out above under the law of countries other than the United Kingdom (including countries that are Member States of the EU). The outline in this Prospectus of certain key United Kingdom taxation issues does not include consideration of any such requirements and the comments made regarding the EU Savings Directive should not be taken to imply that no other withholding or deduction is or may be applicable on account of non-United Kingdom tax.

Considerations Relating to the Borrowers

Ability of Borrowers to meet their obligations

The Borrowers' only material assets are the Property Portfolio and they will therefore have access to no funds other than those generated through their ownership of the Properties and their letting of the Properties to the Tenant under the Leases. Other than the foregoing, payments received from the Hedge Counterparties under the Hedge Agreements and any interest earned by the Borrowers in respect of their bank accounts, the Borrowers are not expected to have any other funds available to them to meet their obligations under the Senior Loans. If the Borrowers were unable to make payment in full of the amounts due under the Senior Loans, this would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full. Upon enforcement of the security for the Senior Loans, the Borrower Security Trustee or any receiver will, in practice, have recourse only to the Leases and the Borrower Security, and to any other assets of the Borrowers then in existence as described in this document.

Late payment or non-payment of rent

There is a risk that rental payments due under a Lease on or before the relevant Loan Interest Payment Date will not be paid by the Tenant on the due date or not paid at all. If any payment of rent is not received from the Tenant on or prior to the immediately following Loan Interest Payment Date and any

resultant shortfall is not otherwise compensated for from other resources, there may be insufficient cash available to the Borrowers to make payments to the Issuer under the Senior Loans. Such a default by the Borrowers may not itself result in a Note Event of Default since the Issuer will have access to other resources as mentioned above (specifically, funds made available under the Liquidity Facility to make certain payments under the Notes). However, no assurance can be given that such resources will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not occur as a result of any late payment of rent.

Risks relating to the Hedge Agreements

Pursuant to the terms of the Hedge Agreements, the Borrowers are required to make sterling payments to the Hedge Counterparties on each Loan Interest Payment Date that LIBOR is less than the fixed rate under the relevant Hedge Agreement. Conversely, where LIBOR is greater than the fixed rate on a given Loan Interest Payment Date, the Hedge Counterparties will be required to make sterling payments to the Borrowers.

Each Hedge Counterparty is only obliged to make payments to the Borrowers as long as the Borrowers comply with their payment obligations under the relevant Hedge Agreement. If the relevant Hedge Counterparty is not obliged to make payments, or defaults in its obligations to make payments to a Borrower on the payment date under the relevant Hedge Agreement, such Borrower will be exposed to any changes in the relevant rates of interest.

If a Hedge Counterparty does default in its payments in circumstances where the Borrowers are complying with their payment obligations, the Borrowers may procure a replacement Hedge Counterparty. However, where a Borrower has failed to comply with its payment obligations, the Hedge Counterparty may, after a 10 day grace period, terminate the Hedge Agreements. Moreover, there are certain additional circumstances in which the Hedge Agreements may be terminated in circumstances which may be adverse to the interests of the Noteholders, including on the application of the proceeds of the disposal of any assets subject to any Borrower Security where the Propco Facility Agreement has not been refinanced on or prior to the Loan Final Maturity Date and the Propco Loans have not otherwise been repaid. Further details of these termination rights are set out below in "*Hedge Agreements*". Depending on the market conditions at the time of any termination or transfer to a replacement Hedge Counterparty, the Borrower may be required to make a termination or transfer payment to the Hedge Counterparties, or the Hedge Counterparties may be required to make a payment to the Borrowers. Unless the Borrowers can enter into new arrangements for replacement hedging which will cover these costs, they may be unable to make payment, thereby triggering a Loan Event of Default under the Propco Facility Agreement and leading to an acceleration of the loans. In these circumstances, if the Borrowers do not have sufficient funds to meet their payment obligations, Noteholders may suffer a loss.

The Borrowers' obligations under the Hedge Agreements are also secured pursuant to the Borrower Security Documents and such obligations will at all times rank in priority to their obligations in respect of the Propco Loans. This could reduce the moneys available to pay interest and/or principal on the Propco Loans and hence the Notes.

Prepayment of the Propco Loans

The Borrowers are obliged, in certain circumstances, to prepay the Propco Loans in whole or in part prior to the Loan Final Maturity Date. These circumstances include, amongst other things, on disposal of all or part of a Property, where a Property has been destroyed or damaged and the requirements of the settlement under such insurance policy does not require reinstatement of the affected property,

where any Property has been compulsorily acquired and where the Issuer as Senior Lender is replaced under the Propco Facility Agreement in connection with the Borrowers becoming obliged to pay additional amounts in respect of the Senior Loans due to taxes, illegality, increased costs or a change in market conditions. These events are beyond the control of the Borrowers and the Issuer.

In addition, the Borrowers are permitted under the Propco Facility Agreement (at their option but subject to certain conditions) to prepay all or a minimum amount of £5,000,000 of the Propco Loans on a Loan Interest Payment Date. Any such prepayment may result in the Notes being prepaid earlier than anticipated.

In the event that it becomes unlawful for a Lender to perform its obligations under the Propco Facility Agreement or to fund or maintain the relevant Propco Loan, the Borrowers will, subject to the terms of the Propco Facility Agreement, be required to prepay that Propco Loan. Any such prepayment in respect of the Senior Loans may result in the Notes being redeemed earlier than anticipated.

An early redemption in full of the Notes may also result from a purchase of the Senior Loans by the Junior Lenders in accordance with the terms of the Intercreditor Agreement. See further "*The Propco Facility Agreement and the Borrower Security – Intercreditor Arrangements*".

Refinancing risk

Unless previously repaid, the Borrowers will be required to repay the Senior Loans on the Loan Final Maturity Date. The ability of the Borrowers to repay the outstanding amount of the Senior Loans on the Loan Final Maturity Date will depend, amongst other things, upon their ability to find a lender willing to lend to the Borrowers (secured against some or all of the Properties) sufficient funds to enable repayment of the Senior Loans. If the Borrowers cannot find such a lender, then the Borrowers may be forced in circumstances which may not be advantageous into selling some or all of the Properties in order to repay the Senior Loans. Failure by the Borrowers to refinance the Senior Loans or to sell the Properties on or prior to the Loan Final Maturity Date may result in the Borrowers defaulting on the Senior Loans. 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 then Principal Amount Outstanding on their Notes and the Issuer may be unable to pay in full interest due on the Notes.

Security over bank accounts and certain underlying assets

The Borrowers will, in accordance with the terms of the Propco Facility Agreement, establish bank accounts into which, amongst other things, rental income and disposal proceeds in respect of the Properties must be paid. The Borrowers will, pursuant to the terms of the Borrower Security Documents, grant security over all of their interests in the Control Accounts, which, in each case, is expressed to be fixed security. Furthermore, under the Issuer Deed of Charge, the Issuer will grant security over all of its bank accounts, which security will also be expressed to be fixed security.

Although the various bank accounts are stated to be subject to various degrees of control (for example, the Propco Facility Agreement provides that the Facility Agent (as agent of the Lenders) is to have sole signing rights over certain of the Control Accounts), there is a risk that, if the Borrower Security Trustee or the Trustee (as appropriate) do not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the

relevant entity in whose name the account is held.

Limited payment history

The Propco Loans were originated within seven months of the Closing Date. As such, the Propco Loans do not have a longstanding payment history and there can be no assurance that required payments will be made or, if made, will be made on a timely basis.

Ability to enforce mortgages and sell Properties

The guarantees and security granted in favour of the Borrower Security Trustee by each Borrower pursuant to the Borrower Security Documents secure the obligations owed by each Borrower under the Propco Facility Agreement. This security includes a fixed and floating charge debenture granted by each Borrower over the whole of its assets and undertaking pursuant to the Debenture.

The Borrower Security Trustee can, if the Finance Parties' Enforcement Rights have been triggered, appoint one or more receivers to the assets and undertaking of the Borrowers after the Borrower Security has become enforceable. Such a receiver would be appointed over fixed or floating charge assets under the terms of the Debenture granted by the Borrowers which may exercise powers under the Law of Property Act 1925 and the Insolvency Act and as extended by the terms of the Debenture.

Once a receiver is appointed to the Borrowers, the Properties can be sold to a purchaser together with the benefit of the Leases to the Tenant. This can happen even while the Tenant is in administration.

Each Borrower has granted a covenant in the Propco Facility Agreement not to incur indebtedness other than indebtedness (a) which is under or permitted by a Finance Document, (b) which is subordinated to amounts owing to a Finance Party under the Finance Documents by the terms of the Subordination Agreement or (c) that arises as a normal trade credit in the ordinary course of any Obligor's business and is not outstanding for more than 45 days. The Subordination Agreement contains comprehensive restrictions preventing the subordinated creditor taking enforcement action or seeking to place a Borrower into liquidation or administration. Any indebtedness owed by the Borrowers to the Tenant is required to be subject to the Subordination Agreement (see "*The Propco Facility Agreement and the Borrower Security - Subordination Agreement*"). All of these measures are designed to ensure that there are no other creditors of the Borrowers to trigger a liquidation, scheme of arrangement or company voluntary arrangement.

Appointment of administrative receiver to the Borrowers

As at the Closing Date, the Borrower Security will include a floating charge granted by each Borrower in favour of the Borrower Security Trustee over the whole of their respective assets (each floating charge together the "**Borrower Floating Charges**") pursuant to the Debenture and the Closing Date Floating Charge Debenture. Each of the Borrower Floating Charges granted pursuant to the Closing Date Floating Charge Debenture (the "**Closing Date Floating Charges**") are expected to be qualifying floating charges within the meaning paragraph 14, Schedule B1 of the Insolvency Act of which the Borrower Security Trustee is the holder. The Borrower Floating Charges are expected to qualify under the capital market exception in section 72B of the Insolvency Act such that Section 72A of the Insolvency Act will not prevent the appointment by the Borrower Security Trustee of an administrative receiver under the Closing Date Floating Charges (see "*The Enterprise Act*" below). The Borrower Security Trustee would therefore be able to appoint an administrative receiver and block the appointment of an administrator with respect to each Borrower. Therefore, the only insolvency proceedings to which a Borrower could be subject (unless the Borrower Security Trustee (acting in

accordance with the instructions of the Instructing Group) decided otherwise) would be liquidation (or provisional liquidation).

The Borrower Security Trustee would be able to appoint an administrative receiver to the whole of a Borrower's assets at any time after the Borrower Security has become enforceable (including, without limitation, upon (a) the presentation of an application to the court for the making of an administration order in relation to a Borrower, or (b) any person (who is entitled to do so) gives notice of its intention to appoint an administrator to a Borrower or files such a notice with the court). If a Borrower or its directors intend to appoint an administrator to one or more of the Borrowers, notice must be given to the Borrower Security Trustee as the holder of a qualifying floating charge. Furthermore, if a creditor makes application to court for the appointment of an administrator to a Borrower, up to five business days' prior notice of such application must be given to the Borrower Security Trustee as the holder of a qualifying floating charge.

Special purpose entity

Special purpose entity ("SPE") covenants are generally designed to limit the activities and purposes of the borrowing entity to owning the related properties, making payments on the related loan and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan and related properties result in a borrower bankruptcy. SPEs are generally used in commercial loan transactions to satisfy requirements of institutional lenders and recognised statistical rating organisations. In order to minimise the possibility that SPEs will be the subject of bankruptcy proceedings, provisions are generally contained in the borrower's organisational documents and/or documentation relating to a mortgage loan that, amongst other things, limit the indebtedness that can be incurred by such entities and restrict such entities from conducting business as an operating company (thus limiting exposure to outside creditors). Additional debt increases the possibility that the Borrowers would lack the resources to pay the Senior Loans.

The Propco Facility Agreement contains provisions that require the Borrowers to conduct themselves in accordance with certain SPE covenants, which may include some or all of the foregoing. However, there can be no assurance that the Borrowers will comply with the SPE covenants. In addition, there can be no assurance that all or most of the restrictions customarily imposed on SPEs by institutional lenders and recognised statistical ratings organisations will be complied with by the Borrowers, and even if all or most of such restrictions have been complied with by the Borrowers, there can be no assurance that such Borrowers will not nonetheless become insolvent. However, failure by the Borrowers to comply with such covenants would (after the expiry of any applicable grace period) lead to a Loan Event of Default.

An insolvency of a Borrower (or any breach of any SPE covenant, after the expiry of any applicable grace period) would result in a Loan Event of Default giving rise to an acceleration of the Senior Loans and an enforcement of the Borrower Security. This could result in significant delays in the receipt by the Issuer of payments under the Senior Loans, which could adversely affect its ability to make timely payments due on the Notes.

Tax Considerations Relating to the Obligors

Under current United Kingdom taxation law and published practice, the Issuer has been advised that rental income received by the Borrowers will constitute taxable income for United Kingdom corporation tax purposes. However, repayments of principal amounts advanced to the Borrowers under the Senior Loans are not deductible for United Kingdom tax purposes, and therefore (save where the Borrowers dispose of a capital asset without a material tax charge and apply the proceeds to make

repayment of the principal amount borrowed, or repay principal by raising new finance) part of the rental income received by a Borrower will generally be required to be applied to discharge its corporation tax liability and so will not be available to it to make payments under the Senior Loans. However, any corporation tax liability of the Borrowers should be reduced to the extent that other expenses such as interest and financing fees incurred by the Borrower are deductible. It is envisaged that the Borrowers' rental income will fund the repayment of part of the principal under the Senior Loans and so effectively part of the repayment of principal will be funded out of the post-tax income of the Borrowers (subject to any tax deductions that may be available to the Borrowers for offset against rental income). To the extent that the Borrowers' post-tax income is not sufficient to fund such repayments of principal, the shortfall will have to be met from a refinancing of the Senior Loans.

There can be no assurance that taxation law and practice will not change in a manner (including, for example, a rise in the rate of corporation tax) or a change in the rules relating to allowable deductions, which would adversely affect the amount of post-tax income of the Borrowers and therefore affect the Borrowers' ability to make repayments under the Senior Loans. If the Issuer does not receive all amounts due from the Borrowers under the Senior Loans, the Issuer may, in prescribed circumstances, make a drawing under the Liquidity Facility, but may not ultimately have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes.

Withholding Tax in respect of the Senior Loans

The Issuer has been advised that, under current law, all payments made to it on the Senior Loans by the Borrowers can be made without withholding or deduction for or on account of United Kingdom tax. If any withholding or deduction for or on account of tax is required to be made, the amount of the payment will be increased to the extent necessary to ensure that, after that withholding or deduction has been made, the Issuer receives a cash amount equal to that which it would have received had no such withholding or deduction been required to be made (subject to certain limited exceptions).

If the Borrowers are obliged to make such increased payments to the Issuer, the Borrowers will have the option (but not the obligation) to repay the outstanding Senior Loans in full. If the Borrowers choose to repay the Senior Loans, the Issuer will then be obliged to redeem the Notes in accordance with the Conditions. If the Borrowers do not have sufficient funds to enable them to make such increased payments to the Issuer, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes and/or any other payment obligations ranking in priority to, or *pari passu* with, the Notes. The Issuer will have access to other resources as mentioned above (specifically, funds made available under the Liquidity Facility to make certain payments under the Notes). However, no assurance can be given that such resources will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not occur as a result of the Borrowers having insufficient funds to make increased payments to the Issuer. In addition, the Issuer has the right to substitute another company for the Issuer as principal debtor under the Notes if the Issuer satisfies the Trustee (in accordance with the terms of the Trust Deed and Conditions) that it would suffer any withholding or deduction from any payment in respect of a Senior Loan on or before the next Note Payment Date.

Corporation tax on chargeable gains ("CGT") relating to Properties

The Borrowers acquired the Properties by way of intra-group transfers at a time when they were still in the same CGT group as the transferor operating companies. Consequently, the Borrowers hold the Properties at historic group base cost for CGT purposes, which is significantly lower than current market value. As a result of this, a Borrower would normally become liable to CGT if it were to

dispose of its Property for a price equal to the current market value. In addition, a CGT de-grouping charge would be triggered in a Borrower if the shares in the Borrower were disposed of by its parent Holdco, (in certain circumstances) if the shares in the parent Holdco were disposed of by Mixer or in a limited number of other circumstances. Any such de-grouping charge would be imposed on a deemed chargeable gain equal to the difference between the historic group base cost and the market value of the Property at the time when it was acquired by the Borrower.

Provisions contained in the Propco Facility Agreement and the Tax Deed require that, prior to any such disposal as is referred to above, there must be an appraisal of any tax liabilities that may arise for any Holdco or Borrower as a result of the disposal and an amount equal to any such tax liabilities must be deposited in the Tax Reserve Account. In addition, the Tax Deed contains certain other provisions which are designed to restrain the parties from taking actions which could trigger a CGT de-grouping charge in any of the Borrowers.

In addition, there are certain limited circumstances ("**Relevant Circumstances**") where changes in the proportionate holdings of interests in Mixer could trigger CGT de-grouping charges in the Borrowers. In the Tax Deed, Mixer has undertaken that, prior to any steps being taken which would trigger de-grouping charges in the Borrowers, Mixer will pay amounts equal to such charges into the Tax Reserve Account. Moreover, Mixer has represented and warranted and undertaken that, if any Relevant Circumstances arise, the relevant holders of interests in Mixer will themselves first have entered into like undertakings. It is not certain that Mixer would be able to secure that this representation continued at all times to be correct but, if there were a breach of the representation and warranty, a Loan Event of Default will occur under the Propco Facility Agreement (see "*The Propco Facility Agreement and the Borrower Security*") unless (i) the failure of Mixer to comply with this representation is not (in the opinion of the Facility Agent, acting reasonably) capable of causing (a) a tax liability in excess of £50,000; or (b) the aggregate of all amounts taken into account as not exceeding the £50,000 limit described above in any 12 month period to exceed £200,000; or (ii) the failure of Mixer to comply with the tax representation is (in the opinion of the Facility Agent (acting reasonably)) capable of causing a tax liability exceeding £50,000 but the Borrowers deposit into the Tax Reserve Account an amount equal to the relevant tax liability (or the maximum amount thereof, where the actual amount cannot be ascertained).

CGT on transfers of Holdcos to Mixer

In connection with the Tenant Group reorganisation, it was necessary to consider whether any of the Holdcos could become liable to CGT on transferring the ordinary shares in its subsidiary Holdco to Mixer. Leading tax counsel has advised that no such CGT will have arisen so long as certain dividends that were paid during the course of the reorganisation: (i) were paid by GHG group companies out of profits that were not "chargeable profits" for the relevant tax purposes, and (ii) were sufficient to reduce the market value of the ordinary shares in each Holdco to an amount equal to their nominal value. Under the Tax Deed, Topco, Mixer, the Holdcos and the Borrowers give representations and warranties confirming (i) and (ii) above.

Stamp duty land tax ("SDLT")

Each Borrower is prima facie liable to SDLT at 4 per cent. on the price paid by it for the Property that it has acquired, subject to SDLT group relief being applicable. Leading tax counsel has advised that certain anti-avoidance provisions limiting availability of group relief should not apply in this case, so long as there were not and are not any arrangements for any of the Properties or Holdcos to be sold or marketed to third parties at any time in the current calendar year. No payments are required to be made into the Tax Reserve Account to provide against payment of SDLT by the Borrowers. In the Tax

Deed, Topco, Mixer, the Holdcos and the Borrowers all enter into representations, warranties and covenants confirming that there are not, have not been and will not be any such arrangements as were referred to by leading tax counsel.

Residence of Holdcos for United Kingdom tax purposes

Because the Holdcos were all incorporated in the British Virgin Islands, each Holdco will be resident for tax purposes in the United Kingdom ("**UK-resident**") only if and for so long as it is in practice actually centrally managed and controlled in the United Kingdom. If any of the Holdcos has at any time not been UK-resident, has at any time changed from being UK-resident to being non-UK-resident, or in the future is not or ceases to be UK-resident, the Holdco in question may as a result have incurred, or may in the future incur, material tax liabilities (certain of which would be potentially assessable on the Borrowers by way of secondary liability). In the Tax Deed, Mixer and the Holdcos have undertaken that various steps have been and will be taken for the purpose of ensuring that all of the Holdcos have at all times been, and will continue to be, UK-resident.

Transfer pricing

Under the terms of the Propco Facility Agreement and the related security, each of the Borrowers enters into a guarantee of the liabilities of all of the other Borrowers and, pursuant to the Borrower Security Documents, charges its own Property as security for all of those liabilities (as well as for its own liabilities). None of the Borrowers is entitled to receive any fees or other consideration for entering into these arrangements, apart from the entry by all of the other Borrowers into similar arrangements. The Borrowers will not be treated for tax purposes as receiving any taxable fees in respect of these arrangements so long as the arrangements constitute an arm's length provision. The Borrowers have been advised in a legal opinion that the mutuality of these arrangements should be sufficient to establish that they constitute an arm's length provision and this reflects advice given by leading tax counsel to the Borrowers.

Due to the operation of the applicable priorities of payments, it is possible that Rental Income or other amounts belonging to one of the Borrowers may be used to meet obligations of another Borrower. Where this occurs, the former Borrower will in certain circumstances be treated as making an interest-free loan of the relevant amount to the latter Borrower. Where such loans are made, the lender Borrower will be treated for tax purposes as being entitled to receive interest at an arm's length rate. In addition, if the parties so elect, the Borrower should be treated for tax purposes as being obliged to pay corresponding amounts of interest. Since the different Borrowers are not in a single group for group relief purposes, tax neutrality will be maintained only if and to the extent that the Borrower is able to utilise, on a current basis, tax relief for any such interest deemed to be payable by it.

Secondary liabilities

The Holdcos and the Borrowers are potentially subject to secondary liability under section 767A of ICTA 1988 for any corporation tax that is left unpaid by certain of the companies which transferred Properties to certain of the Borrowers (namely Amicus Healthcare Leasing Limited, Fernbrae Hospital Limited and Albyn Hospital Limited (the "**Non-BMI Transferors**")). The secondary liability in question is restricted to corporation tax relating to accounting periods up to and including the current period. The Tax Deed contains representations and warranties confirming that the corporation tax liabilities of the Non-BMI Transferors have been finally settled for accounting periods up to and including 2004. In addition, the Tax Deed contains a covenant that (subject to limited exceptions), where any of the Non-BMI Transferors is assessed to corporation tax in an amount exceeding £500,000

(after taking into account group relief), the amount in question will be paid into the Tax Reserve Account as soon as practicable.

The Tax Deed contains provisions to address any possibility that, following sale of a Holdco by Mixer or following certain other disposals, the remaining Holdcos and Borrowers could be subject to secondary liability under section 767AA of ICTA for corporation tax left unpaid, at any time after the sale, by the sold Holdco or its related Borrower. According to these provisions of the Tax Deed, as a precondition to Mixer being allowed to sell a Holdco:

- (i) Mixer is obliged to provide a certificate as to the amount of any tax liabilities that may be incurred by any of the Holdcos and Borrowers in connection with the sale (including tax imposed by way of secondary liability under section 767AA), and an amount equal to any taxes so certified must be paid into the Tax Reserve Account; and
- (ii) the Security Trustee must receive a declaration in prescribed form from the holder or holders of a controlling interest in Mixer confirming that they are not aware of any such circumstances as could cause section 767AA to apply in connection with the sale.

Tax issues relating to the transition to accounting under International Financial Reporting Standards ("IFRS") or under United Kingdom accounting standards following convergence with IFRS ("new UK GAAP")

It is expected that, for their current accounting period, the Borrowers will prepare their individual entity accounts under UK GAAP as applicable up to 31 December 2004 ("old UK GAAP"). It is possible that, during the period when the Notes are in issue, further moves will be made towards convergence of UK GAAP with IFRS. This may lead to the Borrowers being subject to corporation tax on a basis which is different from that assumed in the financial model, and may give rise to corporation tax liabilities for the Borrowers which they would not otherwise have incurred (in particular in respect of transition adjustments arising in their accounts, or deemed for tax purposes to arise, as a result of the relevant changes in their accounting policies). The issues mentioned above potentially arise for all UK-resident companies which have the same types of assets and liabilities as the Borrowers and which are involved in similar structures.

In the Tax Deed, the Borrowers have undertaken to adhere to old UK GAAP for as long as they are permitted to do so, and to consult with, and have regard to the interests of, the Finance Parties, when planning any accounting transition which they may be required to make in the future as referred to above.

In addition, the Borrowers have been advised that they should be able to avoid any incremental tax issues in respect of their interest rate swaps as a result of or following any such transition, due to the expected operation of special regulations dealing with the taxation treatment of hedging contracts.

All of the above remarks are based on current law and official practice, any of which could change prior to the Borrowers making any future transition to IFRS or to new UK GAAP based on IFRS.

Considerations Relating to the Portfolio

Commercial lending generally

The Senior Loans are secured by, among other things, security over the Properties. Commercial mortgage lending is generally viewed as exposing a lender to greater risk than residential mortgage lending since the repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related property. The only funds which will be available to make

payments under the Senior Loans will be amounts received under the Leases, amounts standing to the credit of the Control Accounts from time to time, certain insurance proceeds and funds generated by disposals of the Properties and any amounts generated by enforcement of the security granted by the Borrowers. There will be no other resources available to make payments under the Senior Loans.

Real property investments in the healthcare sector are subject to varying degrees of risk. Rental revenues and property values are affected by changes in the general economic climate and local conditions such as an oversupply of private healthcare services, a reduction in demand for healthcare facilities and services in an area, competition from other private healthcare providers or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning laws or policies and changes in tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. Private healthcare rentals and values are sensitive to such factors, which can sometimes result in rapid, substantial increases and decreases in rental and valuation levels.

The value of the Properties may be adversely affected by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by business closures or slowdowns and other factors), local property market conditions (such as an oversupply of healthcare facilities, including market demand for healthcare services), perceptions by prospective patients of the effectiveness, convenience, condition, services and attractiveness of the Properties, the proximity, attractiveness and availability of competing alternatives to the Properties, the willingness and ability of the owners of the Properties to provide capable management and adequate maintenance, an increase in the capital expenditure needed to maintain a Property or make improvements to it, demographic factors, unemployment rates, consumer healthcare tastes and preferences, retroactive changes to building or similar regulations, and increases in operating expenses (such as energy costs). In addition, other factors may adversely affect the Properties' value without affecting their current net operating income, including: changes in governmental regulations, fiscal policy and planning/zoning or tax laws, potential environmental legislation or liabilities or other legal liabilities, the availability of refinancing, and change in interest rate levels or yields required by investors in income-producing commercial properties. The age, construction quality and design of a particular Property may affect its occupancy level. The adverse effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the Property. Even good construction will deteriorate over time if the property managers do not schedule and perform adequate maintenance in a timely fashion. If, during the term of the Senior Loans, competing properties of a similar type are built in the areas where the Properties are located or similar properties in the vicinity of the Properties are substantially updated and refurbished, the value and net operating income of such Properties could be reduced.

In addition, some of the Properties may not readily be convertible to alternative uses if such Properties were to become unprofitable due to competition, age of the improvements, decreased demand, regulatory restrictions or changes or other factors or if conversion was restricted by the terms of the headlease in respect of leasehold properties. The conversion of commercial properties to alternate uses generally requires substantial capital expenditure. Thus, if the Borrowers become unable to meet their obligations on the Senior Loans, the liquidation value of any such Property may be substantially less, relative to the amount owing on the Senior Loans than would be the case if such Property were readily adaptable to other uses.

Any one or more of the above described factors or other factors not specifically mentioned could operate to have an adverse effect on the income generated or able to be derived from a single Property or the amount for which a Property could be sold, which could in turn impact the ability of the Tenant

to make payments under the Leases thereby causing the Borrowers to default on payments in respect of the Senior Loans.

Borrowers' dependence on the Tenant rental payments and ability of the Tenant to meet its obligations under the Leases

The ability of the Borrowers to make payments of interest and principal under the Senior Loans is dependent on rental payments being made by the Tenant under the Leases. Since the Tenant is the sole tenant of the Properties (all of which are private acute care facilities), the payments under the Senior Loans, and ultimately in respect of the Notes, will be dependent on the care facilities business of the Tenant as sole tenant.

The ability of the Tenant to pay rent at the levels prescribed in the Leases will depend on the performance of its business which will, in addition to the nature of the Tenant's business, be influenced by, among other things, competition from similar health care providers, quality of building and location of the Properties, and such other factors generally affecting a provider of acute care facilities and related health services. Continued global instability (resulting from economic and/or political factors, including the threat of global terrorism) may adversely affect the United Kingdom economy and thus influence the business of the Tenant in the health care services market. There is no guarantee that changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the areas surrounding the Properties will not adversely affect either the demand for services offered by the Tenant or indeed the ability for the Tenant to sub-let space within the Properties (subject to the terms of the relevant Lease and the Propco Facility Agreement).

Mortgagee in possession liability

The Issuer, the Borrower Security Trustee or the Trustee (but only if the Borrower Security Trustee or Trustee has taken enforcement action against the Borrowers or the Issuer (respectively)) may be deemed to be a mortgagee or heritable creditor in possession if there is physical entry into possession of any Property, a step in enforcement of Security or an act of control or influence which may amount, in effect, to possession.

A mortgagee or heritable creditor in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

Save in respect of the appointment of an administrative receiver, each of the Trustee and Borrower Security Trustee has the absolute discretion, at any time, to refrain from taking any action under the Issuer Transaction Documents (in the case of the Trustee) and the Finance Documents (in the case of the Borrower Security Trustee), including becoming a mortgagee or (in Scotland) heritable creditor in possession in respect of a Property unless it is satisfied at that time that it is adequately indemnified. Subject to being adequately indemnified and/or secured to its satisfaction, however, the Borrower Security Trustee must appoint an administrative receiver in certain circumstances. Under the terms of the Propco Facility Agreement, the Borrower Security Trustee ranks first in point of priority of payments, both prior to and following an event of default thereunder, in respect of payment of any amounts owed to it under its indemnity, including in respect of the liabilities described in this paragraph.

Title

Title of those of the Properties situated in England and Wales has been investigated by Ashurst LLP, Macfarlanes and Wansbroughs (each a firm of English solicitors) and title to the Properties situated in

Scotland has been investigated by Dickson Minto (a firm of Scottish solicitors), each of whom have produced certificates of title dated on or about 6 October 2006 in respect of those Properties for which they have investigated the title (the "**Certificates of Title**"). The Certificates of Title address the quality of title of each Property and have been issued on the basis of a review of the title documents supplied by various companies that have sold the Properties to the Borrowers and the usual conveyancing searches and enquiries.

The summary below presupposes completion of the registration of the transfers of the Properties (or as the case requires, the registration of the long leases granted to the relevant Borrowers) at HM Land Registry (the "**Land Registry**") or (in the case of the Properties located in Scotland) in the Land Register of Scotland or (as applicable) the General Register of Sasines (together, the "**Registers of Scotland**"). The transfers to and the long leases granted to the Borrowers in respect of all of the Properties (other than the Properties located in Scotland) have been lodged for registration although confirmation is yet to be received that such transfers have been registered at the Land Registry. The transfers to the Borrowers of the Properties located in Scotland have been lodged for registration at the Registers of Scotland although completion of such registration is pending.

The applications pending at the Land Registry and the Registers of Scotland also govern the release of the charges and standard securities on the Properties in favour of Barclays Bank PLC and the registration of each Legal Charge and Standard Security.

The Borrowers will not become the legal owner of the Properties and the Borrower Security Trustee will not become the legal proprietor of the Legal Charges and the Standard Securities until the registrations have been completed.

Tenure

Thirty-three of the Properties in the Property Portfolio are freehold or (in Scotland) heritable title (with one of those Properties, Alexandra Hospital, comprising a small leasehold portion that is to be transferred to the relevant Borrower). Three of the Properties are long leasehold.

Alexandra hospital leasehold property

The leasehold part of the Property on which the Alexandra hospital is located known as "Inwood Court" and which houses a medical consultancy suite is intended to be transferred for nil consideration to the relevant Borrower and leased back at a peppercorn rent to the Tenant. The transfer, leaseback and charging of this leasehold parcel at Alexandra hospital is subject to landlord's consent being provided under the terms of the relevant headlease. The Obligors are obliged under the Propco Facility Agreement to use their best endeavours to procure the aforementioned transfer, leaseback and granting of security in favour of the Borrower Security Trustee.

Leasehold Properties

In respect of Droitwich, the lease has 21 years remaining. The landlord's consent (which is not to be unreasonably withheld or delayed) is required in respect of assigning and subletting of the whole. The permitted use is a private hospital, brine bath and physio suite or any other purpose for medical or quasi medical use, with ancillary use. There is an obligation to maintain the brine baths until 2010. If use is changed before 2010, then an overage payment is triggered which is 50 per cent. of the open market value with the new use over the initial premium of £180,000 (as increased by RPI). The lease contains forfeiture provisions on breach of tenant covenant (but not an insolvency).

In respect of the Priory Hospital, the lease has 121 years remaining. The original rent reserved was

£300,000 per annum which is subject to an annual RPI increase (the current rent is £349,787.44 reviewed with effect from 25 March 2006). The tenant is to pay a lump sum to the landlord on the expiry or determination of the lease equal to the costs of any abnormal site clearance, demolition and development costs and professional fees which the landlord would incur if on the date of expiry or determination the landlord were to redevelop all or any part of the premises. The landlord's consent (which is not to be unreasonably withheld or delayed) is required in respect of assigning and charging of the whole. The permitted use is a hospital, nursing home or medical clinic, with ancillary use. The tenant has the benefit of an option to acquire the freehold if the landlord intends to dispose of the property. The landlord is obliged to consider but is not bound by any offer by the tenant. The option is personal to the Tenant or any group company who has taken an assignment of the lease. The lease contains forfeiture provisions on breach of tenant covenants (but not an insolvency).

In respect of Winterbourne, the lease has 100 years remaining. The current rent is £17,000 per annum which is subject to rent reviews every 14 years and the review is linked to an increase in RPI. The landlord's consent (which is not to be unreasonably withheld) is required for the assignment and subletting of the whole of the Winterbourne. The use is that of a private hospital, geriatric clinic, residential nursing home or hospital. The lease contains forfeiture provisions on breach of tenant covenant (but not on insolvency).

Issues arising from Title Due Diligence

Restrictive covenant, title defects and absence of easements

A number of the Properties are subject to restrictive covenants or title conditions (including, for example, covenants restricting future developments, change of use or the carrying on of construction works). Some of these covenants are unknown (where documents are lost the Land Registry imposes protective entries in case the lost documents do indeed contain restrictive covenants). Some of the covenants affect a part only of a Property. Few of the restrictive covenants are of recent origin. Some of the restrictive covenants have been breached or could have been breached. This could lead to the person with the benefit of the covenants, in certain circumstances, enforcing such covenants and potentially adversely affecting the current use and/or marketability of the relevant Property and giving rise to an exposure for damages. The Certificates of Title do not disclose the receipt of any notices of breach from third parties, however there can be no assurance that objections will not be raised in the future.

Some of the Properties are also subject to defects in title consisting of lack of easements or servitudes, for example access and drainage rights which could adversely affect the current use and/or marketability of the Properties. Some of the Properties are also subject to various rights of way and utility easements or servitudes that may impact on the use or development of the Properties.

Some of the Properties already have in existence the benefit of indemnity insurance in respect of losses that may arise as a result of breaches of restrictive covenants, defective title and/or absence of easements or servitudes. However, if any of the insurance policies were to be avoided by the insurers or any of the insurers were to become unable to meet their commitments or the insurance cover is inadequate, there is the potential for loss.

Princess Margaret

The Borrower owning the Princess Margaret Property does not have title to part of the Property which is at the center of the current hospital site. Part of Princess Margaret also has possessory title only. The part concerned is however a minor part of the overall Property. There is no title to part of the Property which is required for access to the Princess Margaret. It is thought that the land is owned by the Crown

and that rights of access have been enjoyed with the Crown's implied consent. Part of the property which has been built upon and comprises part of the main hospital building is not vested within the same group of companies as the Borrower. The land is actually vested in the Crown under the principal of *bona vacantia*, where ownerless property passes by law to the Crown. Title indemnity insurance is not in place to cover any of the aforementioned matters although the relevant Certificate of Title reports that no complaints have been received in respect of these issues.

Planning

Three of the Certificates of Title for the Scottish Properties (Ross Hall, Fernbrae and Albyn) state that no planning permissions have been examined relative to the Property. There are also some Certificates of Title that contain statements that the relevant Borrower is unable to confirm if all the planning permissions have been implemented. Some conditions attached to planning consents may not have been complied with and some planning permissions may have only been partially implemented. In some instances temporary planning permission has been granted for temporary structures or temporary use and those permissions have expired but the structures concerned have not been removed. A few Properties are listed buildings or are located in areas where development is strictly controlled.

If a Property does not have the relevant planning permission for any development or use, the relevant local council has a variety of options. It may simply ask the owner of the Property to comply retrospectively. In most cases it depends on the nature of the development and its effect on neighbours. If the relevant council considers that the development involves a breach of planning control, it may take remedial enforcement action. Enforcement action usually involves issuing an enforcement notice setting out the measure needed to remedy the breach, and the date by which these must be implemented. The owner of the Property may be required to cease its activities, or demolish all or part of the building in question. This may adversely affect the current use and/or value of the Property. Failure to comply with a notice could involve criminal proceedings. If the owner of the Property has not complied with a condition imposed on the grant of planning permission, the council may issue a breach of condition notice requiring the owner to carry out work to observe the terms of the condition.

Notwithstanding the aforementioned breaches and potential breaches no local authority enforcement action by the relevant planning authorities has been revealed in any of the Certificates of Title. Furthermore, in relation to the abovementioned Scottish Properties, the relevant Borrowers have confirmed that the existing use of that Property is a permitted lawful use in terms of relevant planning legislation.

Geographic concentration

Rental payments under the Leases and the market value of the Properties could be adversely affected by conditions in the property markets where the Properties are located, acts of nature, including floods (which may result in uninsured losses), and other factors which are beyond the control of the Borrowers and/or the Tenant. Also, the performance of the Properties will be dependent upon the strength of the economies in the local areas where such Properties are located.

Terms of the Leases

Leases granted by the Borrowers may be terminated by the Borrowers earlier than anticipated if the Tenant defaults in the performance of its obligations or if the Tenant becomes insolvent. In such circumstances, the Borrowers would have to seek to find new tenants for the vacated premises. The Trustee will not be responsible for seeking new tenants for any vacated premises. All of the Leases are FRI Leases and therefore substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the tenant, including the costs of repairing,

maintaining and insuring the relevant premises subject to certain limited exceptions in certain cases.

Reliance on Valuation Report

The aggregate market value of the Properties as at the Valuation was £2,125,000,000 (see "*Description of the Property Portfolio*" and "*Property Valuation Report*" below for more details regarding the Valuation). In general, valuations represent the analysis and opinion of qualified valuers and are not guarantees of present or future value. One valuer may reach a different conclusion than the conclusion that would be reached if a different valuer were appraising the same property. Furthermore, valuations seek to establish the amount which a typically motivated buyer would pay a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the Borrowers. However, there can be no assurance that the market value of the Properties will continue to equal or exceed such valuations. As the market value of the Properties fluctuates, there can be no assurance that the market value of the Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Propco Facility Agreement. If any Property is sold following an event of default under the Propco Facility Agreement, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Propco Facility Agreement and therefore such amounts due under the Notes.

Insurance

The Borrowers have undertaken in the Propco Facility Agreement to procure that the Borrower Security Trustee is named as co-insured and sole loss payee under the insurance policies maintained by the Borrowers in respect of the Properties (the "**Insurance Policies**").

If a claim under an Insurance Policy is made, but the relevant insurer fails to make payment in respect of that claim, this could prejudice the ability of the Borrowers to make payments in respect of the Senior Loans, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes. In addition, there can be no assurance that any loss incurred will be of a type covered by such insurance or will not exceed the limits of such insurance. The Borrowers' ability to repay the Senior Loans (and, consequently, the Issuer's ability to make payments on the Notes) might be affected adversely if such loss is in excess of the insured limit, to the extent that such loss is not the responsibility of the occupational tenants pursuant to the terms of their occupational leases or to the extent that the tenant's income from the Property is disrupted. See "*The Propco Facility Agreement and the Borrower Security - Mandatory Prepayments - Insurance, Acquisition Proceeds and Surplus Cashflow*".

The Borrowers may be subject to tax liabilities in respect of Insurance Proceeds received by the Borrowers. Pursuant to the Propco Facility Agreement, provision will be made for any such tax liabilities in accordance with the waterfall of payments applicable to the Rental Income Account (see "*The Propco Facility Agreement and the Borrower Security - Rental Income Account*" below).

Environmental risks

The Obligors have given certain representations and warranties to the Finance Parties in the Propco Facility Agreement in relation to compliance with all environmental laws and approvals. The Borrowers have also covenanted therein to comply with such laws (where to do so would not have a material adverse effect) and the Obligors have also covenanted to maintain appropriate insurance (see "*The Propco Facility Agreement and the Borrower Security*").

Certain existing environmental legislation imposes liability for remediation costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found.

The term "owner" means a person (other than a mortgagee or heritable creditor not in possession) who, whether in his own right or as a trustee for any other person, is entitled to receive the rack rent from the land or, where the land is not let at a rack rent, would be so entitled if it were so let. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all or part of the remediation costs incurred.

Other environmental legislation concerning statutory nuisances also places liability on the owner or occupier in some circumstances instead of the person responsible for the nuisance. In the relevant legislation, the concept of "owner" has not been defined and could include any person with a proprietary interest in the property. The owner or occupier would be responsible where the nuisance arises from any defect of a structural character and where the person responsible for the nuisance cannot be found.

If any environmental liability were to exist in respect of any of the Properties, neither the Issuer nor the Facility Agent should incur responsibility for such liability prior to enforcement of the Security, unless it could be established that the relevant party had entered into possession of the relevant Property or could be said to be in control of the relevant Property. After enforcement, the Borrower Security Trustee, if deemed to be a mortgagee or heritable creditor in possession, or a receiver, could become responsible for environmental liabilities in respect of a relevant Property. If the Issuer or the Borrower Security Trustee unduly directed or interfered with the receiver's actions or a receiver's indemnity has been given and that indemnity covered environmental liabilities, this could also result in liability for the Issuer or the Borrower Security Trustee.

If an environmental liability arises in relation to any of the Properties and it is not remedied, or is not capable of being remedied, this may adversely affect that Property and the Borrowers' business or financial condition. (This may be either because of cost implications for the relevant Borrower or because of disruption to services provided at the relevant Property.) If it is intended to sell the relevant Property, any existing environmental liability may cause it to be sold at a reduced sale price or become unsellable.

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 that Property or in a reduction in the price obtained for that Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a Property for damages and costs resulting from substances emanating from that site. The presence of substances on a Property could also result in personal injury or similar claims by private claimants.

An environmental report dated 23 April 2006 (the "**ERM Environmental Report**") was prepared by Environmental Resources Management Limited ("**ERM**") based on a review of information available in an electronic data room set up for the purposes of the original acquisition financing in relation to the acquisition by the Initial Investors of, *inter alia*, the Propco Group, specifically environmental related documents and a due diligence report completed by URS Corporation Limited ("**URS**") on behalf of the vendor relating to 13 Properties. In addition, ERM completed desk study reports on the freehold (or heritable) and long leasehold Properties not covered by the URS report. Any references in this Prospectus to the ERM Environmental Report are subject to all statements, qualifications, limitations and assumptions set out in the Environmental Report itself.

Management of hazardous materials

URS reported that there is one underground storage tank ("**UST**") at the London Independent Hospital, Stepney Green with a capacity of 9,000 litres built in 1986. According to URS, no integrity testing of

the tank has been undertaken. The ERM Environmental Report does not consider this to be a material issue due to the age of the UST. No other USTs were identified by URS. The ERM Environmental Report considers that due to the age of the Properties, the risk of a significant liability occurring associated with the presence of USTs (if they exist) is low.

Asbestos containing materials

URS reported that three of the Properties they assessed (Clementine, The Priory and London Independent) have yet to complete asbestos registers/management plans and are therefore in non-compliance with the Control of Asbestos at Work Regulations 2002.

The ERM Environmental Report considers that due to the age of the buildings, the likelihood of asbestos containing materials being present in the majority of the other Properties is low. The ERM Environmental Report considers that, as asbestos containing materials were generally not used in building fabric/structures after the 1980s, the likelihood of asbestos remediation being required is low.

Out of the Properties not reviewed by URS, the ERM Environmental Report has identified the following Properties which have the potential to contain asbestos containing materials due to their age (i) Beardwood, Blackburn; (ii) Highfield, Rochdale; and (iii) Albyn Hospital.

The ERM Environmental Report has estimated the cost of asbestos remediation to be between £50,000 and £175,000.

Potential material soil and groundwater issues

The ERM Environmental Report considers that 6 Properties are located on highly sensitive environmental settings. Given these settings, such sites present a higher potential for works to be required to investigate and remediate any potential material sources of soil and groundwater impact. The main drivers for potential material investigation and remediation issues are the close proximity of potential contamination sources and/or the presence of a major aquifer underlying the site without low permeability drift cover. The Properties with a high likelihood of material soil and groundwater issues are (i) Esperance; (ii) Chelsfield Park; (iii) Sloane Hospital; (iv) Chaucer Hospital; (v) Highfield Hospital; and (vi) Hampshire Clinic.

Of the remaining Properties studied, the ERM Environmental Report considers that 14 Properties present a medium likelihood of potential for works to be required to investigate and remediate potential material sources of soil and groundwater impact with the remainder presenting a low likelihood of potential material soil and groundwater issues. The main drivers for medium likelihood of potential material investigation and remediation issues are the proximity of potential contamination sources, and/or the presence of a minor aquifer underlying the site without low permeability drift cover or a major aquifer underlying the site with low permeability drift cover.

The ERM Environmental Report has estimated the total likely expenditure for soil and groundwater issues to be between £150,000 and £250,000.

Compulsory purchase

Any Property in the United Kingdom may at any time be compulsorily acquired by, among others, a local or public authority or a government department, generally in connection with proposed redevelopment or infrastructure projects.

If, however, a compulsory purchase order is made in respect of a Property (or part of a Property), compensation would be payable on the basis of the open market value of all of the Borrowers' and the

Tenant's proprietary interests in that Property (or part thereof). Where a general vesting declaration is made, compensation is assessed as at or from the vesting date. In other cases, where a notice to treat is served the valuation date is either the date on which the acquiring authority takes possession or, if earlier, the date on which compensation is agreed between the parties. Following such a purchase the Tenant would cease to be obliged to make any further rental payments under the relevant Lease (or rental payments would be reduced to reflect the compulsory purchase of a part of that Property, if applicable). The Borrowers may subject to the terms of the Propco Facility Agreement be required to prepay an equivalent amount under the Propco Facility Agreement, which prepayment will be used by the Issuer to redeem the Notes (in whole or in part). The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold (or heritable title) or leasehold estate of a Property which is to be used to prepay an amount of the Senior Loans under the Propco Facility Agreement (and thus to be applied by the Issuer to redeem some of the Notes) may be less than the original value ascribed to such Property.

The Borrowers may be subject to tax liabilities in respect of the proceeds of any compulsory purchase received by the Borrowers. Pursuant to the Propco Facility Agreement, provision will be made for any such tax liabilities in accordance with the waterfall of payments applicable to the Rental Income Account (see "*The Propco Facility Agreement and the Borrower Security - Rental Income Account*" below).

It should be noted that there is often a delay between the compulsory purchase of a property and the payment of compensation (although interest is payable from the date upon which the acquiring authority takes possession of the property until any outstanding compensation is paid), which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value of the property. Such a delay may, unless the Borrowers have other funds available to it, give rise to a Loan Event of Default.

Frustration

In exceptional circumstances, a tenancy could be frustrated under English or Scots law, with the result that the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Under English law, frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party to the agreement, so that it would be inequitable for such an agreement or agreements to continue. Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) terminate if the leased property is damaged or destroyed to the extent that it is no longer tenable or if an event occurs which otherwise precludes performance of the parties' rights and obligations under the lease. If any of the Leases were to be frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, that Property. This in turn could cause the Borrowers to have insufficient funds to make payments in full in respect of the Propco Facility Agreement, which could lead to a default thereunder which could result in the Issuer having insufficient funds to make payments due on the Notes.

Litigation

There may be pending or threatened legal proceedings against the Borrowers. The Borrowers represented in the Propco Facility Agreement that on the Utilisation Date, no litigation was current, pending or, to its knowledge, threatened in respect of itself which has, or if determined adversely to it could reasonably be expected to materially adversely affect the market value of the Properties. The Propco Facility Agreement includes an obligation on the Borrowers to notify the Facility Agent of any litigation which, if resolved against it, would have or be reasonably likely to have a material adverse

effect.

Considerations Relating to the Tenant

Default of Tenant

Under the terms of each Lease the following events constitute Lease Termination Events:

- (a) the rents (or any of them or any part of them) under that Lease are outstanding for more than ten business days after becoming due whether formally demanded or not; or
- (b) there is a breach by the Tenant of any covenant or other term of that Lease or any document expressed to be supplemental to that Lease; or
- (c) the Tenant commits or permits an Act of Insolvency (as defined therein), including the appointment of an administrator to the Tenant.

None of the Leases contain any cross-forfeiture events so that, if the Tenant fails to pay rent under, or is in breach of any covenant or other term of, one Lease, that failure to pay or breach will not constitute a breach of another Lease unless the Tenant has also failed to pay rent under, or breached any covenant or other term of, that other Lease.

Late payment of rent

Rental payments under the Leases are due in advance on 10 January, 10 April, 10 July and 10 October in each year (five days before each Loan Interest Payment Date), subject to a ten business day grace period. A Borrower may only exercise its right of re-entry or (in Scotland) irritancy on expiry of such grace period. It is a condition of any assignment by the Tenant under the Leases (other than an intragroup assignment to another member of the Tenant Group) that the rent payment dates be changed to 1 January, 1 April, 1 July and 1 October in each year. The relevant Borrower would then be entitled to exercise its right of re-entry or (in Scotland) irritancy under the Lease on expiry of the ten business day grace period running from such rent payment dates.

If rent is not paid on the due date therefor (subject to a grace period under the Leases) or not paid at all and any resultant shortfall is not otherwise compensated for from other resources of the Borrowers within any applicable grace period for payment under the Propco Facility Agreement, a Loan Event of Default will occur under the Propco Facility Agreement. The payment of rent under the Leases is not guaranteed by any other person.

Such a Loan Event of Default will not of itself cause a Note Event of Default since the Issuer will have access to, *inter alia*, the Liquidity Facility to cover (to the extent funds are available (see further the section entitled “*Description of the Issuer Transaction Documents—The Liquidity Facility Agreement*”)) certain shortfalls under the Issuer Pre-Enforcement Revenue Priority of Payments. No assurance can, however, be given that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not in fact occur as a result of the late payment of rent.

Following a Loan Event of Default under the Propco Facility Agreement, it may be necessary for the Borrower Security Trustee, or a receiver appointed by it, to offer to re-let or, as appropriate, sell a Property (or Properties) by way of enforcement of the Borrower Security. Amounts received in respect of the Properties following a reletting or sale could be insufficient to pay accrued interest on, and/or repay the principal amount of, the Senior Loans in full, in which case Noteholders may ultimately suffer a loss.

Delegation

Except to the limited extent described herein, none of the Facility Agent, the Borrower Security Trustee, the Trustee, any Noteholder, any Finance Party or any Issuer Secured Creditor has any right to participate in the management or affairs of the Issuer or any Borrower. In particular, such parties cannot supervise the functions relating to the management or operation of the Properties and the leasing and re-leasing of the space within the Properties or otherwise. The Issuer and the Borrowers will each rely upon, *inter alios*, the Tenant and other service providers for all asset servicing functions. Failure by any such party to perform its obligations could have a material adverse effect upon the Issuer's ability to repay the Notes. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner, and engaged on terms acceptable to the Facility Agent and/or the Trustee (as applicable).

Insolvency proceedings in respect of the Tenant – Overview

The following paragraphs discuss:

- (a) any insolvency proceedings which could, in theory, be commenced in respect of the Tenant (including, in turn, receivership, liquidation, administration or a company voluntary arrangement ("CVA"));
- (b) the automatic triggering of the Borrowers' Termination Rights (as defined below);
- (c) the automatic triggering of the Finance Parties' Enforcement Rights (as defined below); and
- (d) the likely impact of the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights on any such insolvency proceedings under paragraph (a) above.

Importantly, as discussed below, the risks arising from the commencement of insolvency proceedings under paragraph (a) above have been reduced in the Finance Documents as follows:

- (i) each Lease expressly provides that any Act of Insolvency (including receivership, liquidation, administration or a CVA of the Tenant) in respect of the Tenant empowers each Borrower to terminate each of the Leases by way of forfeiture or (in Scotland) irritancy through peaceable re-entry or court proceedings (hereinafter, the "**Borrowers' Termination Rights**");
- (ii) the Propco Facility Agreement expressly provides that such insolvency proceedings in respect of the Tenant constitute a Loan Event of Default, permitting the Facility Agent to declare the Loan immediately due and payable or payable on demand and enabling the Borrower Security Trustee to enforce the Borrower Security (hereinafter, the "**Finance Parties' Enforcement Rights**"); and
- (iii) once the Finance Parties' Enforcement Rights have been exercised, the Borrower Security Trustee (or its delegate or a receiver appointed on its behalf) may exercise the rights of each Borrower under the Leases, including the Borrowers' Termination Rights and the Borrower Consent Requirement (as defined below) (hereinafter, the "**Borrowers' Discretionary Lease Rights**").

Additionally, it should be noted that both the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights are not only triggered by such insolvency proceedings in respect of the Tenant as the Leases and the Propco Facility Agreement contain other provisions triggering the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights respectively. For example, the Propco Facility Agreement provides that a Loan Event of Default will occur if the Tenant fails for any reason

to pay the rent payable by or on behalf of it under any Lease on each date specified for the payment of the same (or after the expiry of any applicable grace period) in that Lease without deduction, set-off or counterclaim.

The provisions of this and the following paragraphs regarding the insolvency of the Tenant are subject to the discussion regarding the limitation on the exercise of the Borrowers' Termination Rights set out in "*Risk Factors – Forfeiture*" below.

Borrower Consent Requirement

The Tenant may not assign a Lease without the prior written consent of the relevant Borrower (or, if the Finance Parties' Enforcement Rights have been triggered, the prior consent of the Borrower Security Trustee as mortgagee or heritable creditor under the Borrower Security Documents) (such consent not to be unreasonably withheld) provided that for the purposes of section 19(1A), Landlord and Tenant Act 1927 (which extends to England and Wales only) the relevant Borrower is entitled to:

- (i) withhold consent to a proposed assignment where the proposed assignee is not a Qualifying Assignee and/or where any of the Prohibited Circumstances apply; and
- (ii) grant its consent to a proposed assignment subject to all or any of the Conditions for Assignment,

and furthermore the relevant Borrower is entitled to withhold consent to a proposed assignment on other grounds or grant consent subject to further conditions where it is reasonable to do so (the "**Borrower Consent Requirement**"). See "*The Leases - Assignment*".

For this purpose:

"**Conditions for Assignment**" means the following conditions:

- (a) the payment of all rents and other sums which have fallen due under this Lease prior to the date of the assignment;
- (b) that where the consent of any superior landlord or mortgagee or heritable creditor of the relevant Borrower or the mortgagee or heritable creditor of any superior landlord is required to the proposed assignment such consent is obtained and any lawfully imposed conditions of such consent are satisfied;
- (c) that the proposed assignee covenants by deed with the relevant Borrower in such form as it may reasonably require that with effect from the date of the assignment the proposed assignee will pay the rents and observe and perform all the provisions of the relevant Lease to be observed and performed by the Tenant;
- (c) that the Tenant enters into an Authorised Guarantee Agreement in the form set out in the schedule 3 to the relevant Lease;
- (d) that the surety (if any) for the assigning tenant is made a party to any Authorised Guarantee Agreement entered into by the Tenant and covenants therein as a primary obligation to be jointly and severally liable with the Tenant under the obligations therein contained;
- (e) that any guarantor for the proposed assignee reasonably required by the relevant Borrower's covenants as a primary obligation by deed with the relevant Borrower to observe and perform all the covenants on the part of the Tenant contained in this Lease in the form (*mutatis*

mutandis) of schedule 3 to the relevant Lease or such other form as the relevant Borrower may reasonably require.

Appointment of a Receiver in respect of the Tenant by the facility agent under the Opco Facility Agreement

If a continuing breach (e.g. an insolvency which is not discharged promptly) of the Tenant occurs under the Opco Facility Agreement, this may permit the facility agent under the Opco Facility Agreement to appoint a receiver. The function of such receiver would be, *inter alia*, to get in and collect any assets securing their obligations under the Opco Facility Agreement and to sell those assets or to run the business of the Tenant for a period of time.

Importantly, however, the appointment of such a receiver would not relieve the Tenant from its requirement to pay rent, nor would it enable the receiver to sell or otherwise deal with any interest in the relevant Leases other than in accordance with the terms of the Leases or in accordance with the Borrower Consent Requirement. Additionally, it should be noted that the appointment of a receiver would activate the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights, which would then include the Borrowers' Discretionary Lease Rights.

The appointment of a receiver would not detract from the existing rights of the Borrowers or the Finance Parties in relation to, respectively, the Leases and the Propco Facility Agreement, and such appointment would not give the receiver greater rights in relation to the terms of the Leases than those which the Tenant has.

Appointment of a Liquidator in respect of the Tenant

Liquidation is tantamount to an "end of line" procedure (compared to administration (summarised below) which is designed to serve as a company rescue procedure). The general purpose of a liquidator is to turn a company's assets into cash as quickly as possible and thereafter to distribute the cash to the company's creditors and, if there is a surplus, to its shareholders.

Liquidation can take one of two forms:

- (a) it can be a voluntary liquidation which occurs where the shareholders of the company pass a resolution to place the company into liquidation (a "**voluntary winding-up**"); or
- (b) the company or a creditor may present a petition to the court for a compulsory winding-up and, if the company is insolvent, a winding-up order will be made by the court in due course (a "**compulsory winding-up**").

Importantly, either form of liquidation would trigger the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights, which would then include the Borrowers' Discretionary Lease Rights. If a winding up order is made in the context of a compulsory winding up, then the relevant Borrower would require the consent of the court before it could exercise the Borrowers' Termination Rights.

It is likely that the Tenant would be subject to a compulsory winding up only if that would achieve a better result for the creditors and shareholders of the Tenant than continuing to trade. It should be noted, however, that one of the primary assets of the Tenant is likely to be its Leases, which Leases could not be transferred to a third party by the liquidator without satisfying the Borrower Consent Requirement.

Pursuant to the Property Monitoring Agreement, the Property Monitor is required to provide a monitoring report to the Facility Agent, which will provide information regarding the performance of the Tenant. Similarly, pursuant to the terms of each Lease, the Tenant is required to deliver copies of reports in connection with the operation and management of the facilities produced by the regulatory authorities. These mechanisms are designed to ensure that the Borrowers, the Issuer and certain other parties to the Finance Documents have early notice of any matters which may affect the solvency or otherwise of the Tenant, which may enable them to take steps to mitigate the effects of the relevant problem (e.g. providing time to find an alternative tenant before an actual breach of a Lease occurs).

Importantly, if a liquidator retains property for the purposes of a winding up and to benefit the insolvent estate, then the relevant Borrower has a statutory right to claim rent (which should be treated as an expense of the liquidation). Rent can be claimed against the liquidator on and from the date of commencement of the compulsory winding-up order (but not before that date, therefore, if rent was unpaid for any period of time prior to that date, then the relevant Borrower would (save as provided below under "*Propco Facility Agreement and Borrower Security - Borrower Call Option Documents*") be an unsecured creditor of the Tenant in respect of that unpaid amount).

Any rent payable by the liquidator would be calculated by reference to the terms of the Lease. For so long as the liquidator is paying rent under the Lease, this will enable the relevant Borrower to apply the proceeds to make payments due under the Propco Loans. It should be noted however that a liquidator has a right under the Insolvency Act (as amended) to disclaim "onerous property" without satisfying the Borrower Consent Requirement. Therefore, if a liquidator is appointed in respect of the Tenant, a Lease may be terminated without the prior consent of the relevant Borrower or the Borrower Security Trustee, as applicable. This may mean that a Lease is terminated before the relevant Borrower has had the opportunity to find another tenant of the Property or to otherwise dispose of the Property, which could adversely affect the ability of the Borrower to make payments under the Loan and according the ability of the Issuer to make payments under the Notes.

If a Lease is disclaimed, then the relevant Borrower can re-let the property or sell the property (the actions that the relevant Borrower can take in this regard will be determined by the terms of the Propco Facility Agreement). The relevant Borrower will also have a claim against the Tenant for breach of the Lease (subject to a duty to mitigate), but this claim will rank on an unsecured basis against the Tenant's insolvent estate.

Appointment of an administrator in respect of the Tenant

Provided that certain requirements are met, the process of administration may be commenced at any time in relation to a company by

- (i) administration order of the court (the "**court route**") in response to an application filed by its directors, itself or one or more creditors if the relevant company is insolvent or likely to become so, or by the holder of a qualifying floating charge (as defined in the Insolvency Act (as amended)) if its security is enforceable or
- (ii) the filing of certain documents with the court (the "**out-of-court route**") by its directors, the company or the holder of a qualifying floating charge if its security is enforceable.

The security trustee under the Opco Facility Agreement could appoint an administrator to the Tenant as the holder of a qualifying charge granted by the Tenant.

Either form of administration would trigger the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights, which would then include the Borrowers' Discretionary Lease Rights.

The effect of an administration (whether commenced by the court route or by the out-of-court route) would be that the affairs, business and property of a company in respect of whom an administrator had been appointed would be managed by a person (the "**administrator**") appointed for that purpose by the court or the appointer (as the case may be). An administration takes effect initially for a period of one year from the commencement of the appointment of the administrator with the possibility of extension by the court and/or with the consent of at least fifty per cent. of the unsecured creditors and each secured creditor. In certain circumstances (for example, if the criteria for certain statutory exit routes are met and/or the administrator appointed using the out-of-court route considers that the purpose of the administration has been achieved), the administration period may be shorter than one year.

The primary purpose of administration is the rescue of the company as a going concern. If the administrator does not think that objective is practicable, then he must perform his functions with the objective of achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or if that is not practicable, then he must perform his functions with the objective of realising the property of the company in order to make a distribution to one or more secured or preferential creditors.

Assuming that the specialist hospital care market is strong and that the Properties have been maintained in compliance with the terms of the Leases, given that one of the primary assets of the Tenant is likely to be their Leases, it would be likely that an administrator rather than a liquidator would first be appointed in respect of the Tenant and that the administrator would first look at options to procure the rescue of the Tenant as a going concern.

If the Tenant is in administration, then the Borrower would require the consent of the administrator or the permission of the court to exercise the Borrowers' Termination Rights. If the Borrowers apply to the administrator for consent to forfeit or irritate or to sue or distrain for unpaid rent, the administrator may be unlikely to grant such consent. However if consent to forfeiture or irritancy is not given by the administrator, then the Borrower may apply to the court for leave to enforce the terms of the Lease or to exercise the Borrowers' Termination Rights.

The circumstances in which a landlord will either be granted consent to forfeit or irritate or claim rent as an expense in an administration are currently certain under English and Scots law. The better view is that if the rent payable under a lease is at a market level, and the administrator intends to remain in occupation of a property under a lease, then he will pay the rent or accept that the property can be forfeited or irritated on the application of the landlord. If the rent is regarded as being above market value, then an administrator may seek to either negotiate a market level rental payment with the landlord or have such a rental level imposed by the court. It would be highly unlikely for the court to impose a level of rent that is below market value in these circumstances. The court may allow the administrator to remain in occupation of the property for a short period of time without any rent being paid at all if the administrator establishes that it has found a new tenant who will take over the lease at the end of such period. In respect of the Leases with the Tenant, if there is any period when the rent is unpaid, or if forfeiture or irritancy of the Lease is granted before the Borrowers have found an alternative tenant or the Property is otherwise disposed of, then this could adversely affect the ability of the Borrowers to make payments under the Loans and accordingly the ability of the Issuer to make payments due on the Notes.

Effect of a company voluntary arrangement in respect of the Tenant

A CVA is the formal procedure (essentially, a contract between the company and its creditors (which would include the Borrower)) provided for by the Insolvency Act (as amended), which enables a company to agree with its creditors how its debts should be dealt with. The arrangement, if approved

by the requisite majorities at members' and creditors' meetings (broadly, approved by more than 50 per cent. and 75 per cent. respectively of persons eligible to vote) takes effect and binds all creditors who would have been entitled to vote at the meeting whether they attended, voted or even had notice of the meeting. Generally, the votes are determined based on the amount of debt of the relevant creditor (on a one vote for one pound basis). It is not clear under English law whether the right to future rent would constitute a present debt for the purposes of exercising voting rights in a CVA, as this will depend on whether the future rent is determinable and the views of the chairperson of the CVA meeting as advised at the time. If future rent due to the Borrowers is taken into account, then the Borrowers (or following a Loan Event of Default, the Borrower Security Trustee) may be able to block resolutions that are not in its interests.

Importantly, a CVA would trigger the Borrowers' Termination Rights and the Finance Parties' Enforcement Rights, which would then include the Borrowers' Discretionary Lease Rights.

Subject to the description below of the moratorium that applies to "small" companies in the context of a CVA, until a CVA is entered into, a landlord (i.e. the Borrower) is free to pursue any of its available remedies, including exercising the Borrowers' Termination Rights and proceedings to recover unpaid rent.

There may be circumstances where a CVA is proposed in the context of an administration, in which case the restrictions on the Borrower's remedies discussed in the above section on administrations could apply.

Once a CVA has been entered into and passed by the requisite majorities then, in respect of any outstanding debt owed by the Tenant (see below for a discussion of future rent payments), the Borrowers will be bound by the CVA. This could mean that existing unpaid rent will not be paid, which could affect the Borrower's ability to make payments under the Propco Loans and hence the Issuer's ability to make payments under the Notes.

In theory, a binding CVA could purport to restrict the Borrowers' Termination Rights and seek to compromise future rent payments and to bind the landlord to those reduced payments. However, there are grounds on which a creditor, including a landlord, could challenge a CVA if it was unfairly prejudicial (section 6(1) of the Insolvency Act (as amended)). Whilst there is no statutory definition of "unfair prejudice", it would appear to be unfair, in circumstances where a landlord could achieve the same or better rent on a re-letting of the property in question in the market, that the landlord should be obliged to accept a discount on future rent from the existing tenant.

The Insolvency Act 2000 imposes an initial (but extendable) 28-day moratorium in relation to small companies only, between the presentation of a proposal for a CVA and the creditors' meeting in respect of the CVA. A small company is defined as one which satisfied at least two of the conditions listed in section 247 of the Companies Act 1985, namely: (i) a turnover of not more than £5.6 million; (ii) a balance sheet of not more than £2.8 million; and (iii) not more than 50 employees. In order for the Tenant to be placed into such a moratorium it must be an "eligible company". The Tenant may be excluded from being an "eligible company" by virtue of the application of paragraph 4C of Schedule 1A of the Insolvency Act on account of the Tenant having incurred a present or future liability under the Opco Facility of £10,000,000 or more. On the date of drawdown of the Opco Facility, the Tenant incurred a present or future liability under the Opco Facility for £175 million. If such a liability were remain at £10,000,000 or more, the liability of the Tenant under the Opco Facility would exclude the Tenant from being an "eligible company".

The Tenant may or may not be an "eligible company" depending on the liability under the Opco Facility. If it is, then during a CVA moratorium, as with an administration moratorium, the Borrower could not issue proceedings of any type (including forfeiture or irritancy proceedings).

Forfeiture

In respect of Properties situated in England and Wales, under English law the Tenant may, in certain circumstances, be entitled to apply to the court for relief from forfeiture (a grant of which by the court may, subject to the terms and conditions of such court relief, have the effect of preventing a landlord from terminating the lease). This is an equitable remedy which may be available to the Tenant and others such as sub-tenants and the Tenant mortgagees. The courts will weigh up a number of factors when considering whether to grant relief including the conduct of the tenant, the nature and gravity of the tenant's breach, the value of the property to be forfeited and the tenant's ability and willingness to remedy the breach. Where relief is granted, it would usually be on terms requiring the tenant to cure the breach of obligation. No such relief exists regarding any Properties located in Scotland.

Section 146 of the Law of Property Act 1925 also provides a mortgagee, in certain circumstances, with a statutory basis on which it may take action to protect its security. Again, this right does not extend to the Properties located in Scotland.

The Tenant would, in respect of the Properties located in Scotland, have limited statutory protection under the Law Reform (Miscellaneous Provisions) (Scotland) Act 1985. In the case of a monetary breach, the Borrower would not be entitled to terminate the Lease of any Scottish Property unless a notice had been served on the Tenant requiring payment under threat of irritancy. The minimum period of notice is 14 days or such longer period as the relevant Lease may specify. In the case of other breaches the relevant Borrower would not be entitled to rely on the irritancy provisions in the Lease if in all the circumstances a fair and reasonable landlord would not seek to do so.

General Considerations

Material Breach of a Senior Loan Warranty in Relation to the Sale of the Loan Sale Assets

Save as described under "*Summary Of The Issuer Transaction Documents - Loan Sale Documents*", neither the Issuer nor the Trustee has undertaken or will undertake any investigations, searches or other actions as to the status of the Borrowers and the Issuer and the Trustee will each rely instead solely on the representations and warranties given by the Sellers in respect of such matters in the Loan Sale Agreement. However, due to the limited time for which the Sellers will hold the Loan Sale Assets, the Sellers will only make certain limited representations and warranties, including, a representation and warranty in relation to its title to the Loan Sale Assets and the fact that it has not encumbered its title to the Loan Sale Assets.

In the event of a Material Breach of a Senior Loan Warranty under the Loan Sale Agreement which has not been remedied or is not capable of remedy, the sole remedy of each of the Issuer and the Trustee against the Sellers shall be to require the Sellers to repurchase the affected Senior Loans together with any related Borrower Security, provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if a Seller fails to repurchase the affected Senior Loan and its related Borrower Security when obliged to do so.

See "*Summary of the Issuer Transaction Documents - Loan Sale Documents*".

European Monetary Union

It is possible that, prior to the repayment in full of the Senior Loans and the Notes, the United Kingdom

may become a participating member state in the European Economic and Monetary Union and that the euro will become the lawful currency of the United Kingdom. In that event the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the interest rate on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Noteholders. It cannot be said with certainty what effect the adoption of the euro by the United Kingdom (if it occurs) will have on the Noteholders.

Basel Capital Accord

Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the EU Capital Requirements Directive (Directives numbers 2006/48/EC and 2006/49/EC) ("**CRD**"), as implemented by their own regulator, to their holding of any Class of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk-weighting which will result for investors from the adoption of CRD by their own regulator.

Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 (the "**Enterprise Act**") came into force, amending certain provisions of the Insolvency Act. These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holders of any debenture of the company secured by a charge which, as created, was a floating charge, or by such a charge and one or more other securities over the whole or substantially the whole of the assets of a company, had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating chargeholder. The Insolvency Act contains provisions that continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement (being, in respect of the transactions described in this Prospectus, the Issuer Deed of Charge) which is or forms part of a capital markets arrangement (as defined in the Insolvency Act) under which a party (such as the Issuer) incurs or, when such agreement was entered into was expected to incur, a debt of at least £50 million under the arrangement and the arrangement involves the issue of a capital market investment (also defined, but generally a rated, listed or traded debt instrument). It is expected that the security that the Issuer will grant to the Trustee will fall within the capital markets exception. However, it should be noted that the relevant Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Prospectus, will not be detrimental to the interests of the Noteholders.

The Insolvency Act also contains an out-of-court route into administration for a qualifying floating chargeholder, the directors or the relevant company itself. If the appointment is to be made by a qualifying floating chargeholder, it must give at least two business days' written notice of its intention to appoint to any prior qualifying floating chargeholder, or obtain its written consent. If notice is given, a copy of that notice must be filed at court. Upon such filing, an interim moratorium on enforcement of the relevant security will take effect. That moratorium lasts for five business days beginning with the date of filing, or until an administrator is appointed (whichever is earlier). If the appointment is to be

made by the company or its directors, they must give at least five business days' written notice of their intention to appoint to any person who is or may be entitled to appoint an administrative receiver and to any person who is or may be the holder of any qualifying floating charge entitled to appoint an administrator out-of-court. A copy of that notice must be filed at court. Upon such filing, an interim moratorium on enforcement of the relevant security will take effect. That moratorium lasts for ten business days beginning with the date of filing of the notice, or until an administrator is appointed (whichever is earlier). During the notice period, the holder of a qualifying floating charge can appoint its own insolvency practitioner, rather than the company's or directors' chosen insolvency practitioner, as administrator. If a person entitled to receive a notice of intention to appoint does not respond to the notice of intention to appoint, the appointor's chosen administrator will take office after the notice period has elapsed and upon a notice of intention to appoint being filed at court. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed. These provisions of the Insolvency Act give primary emphasis in relation to administration to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. No assurance can be given that the primary purpose of the new provisions will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

The Enterprise Act inserted a new Section 176A into the Insolvency Act which makes provisions to ensure that unsecured creditors, as opposed to floating charge holders, take the benefits of this change. Under this provision the unsecured creditors will have recourse to the company's net property (which is the amount of its property which would otherwise be available for satisfaction of claims of holders of debentures secured by, or holders of, any floating charge created by the company) up to a fixed amount (the "**prescribed part**") in priority to the holder of the floating charge concerned. The prescribed part will be 50 per cent. of the first £10,000 of the company's net property then 20 per cent. of the company's remaining net property until the prescribed part reaches a maximum of £600,000. The obligation on the insolvency officeholder to set aside the prescribed part for unsecured creditors does not apply if the company's net property is less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured creditors would be disproportionate to the benefits. If the company's net property is more than £10,000 the officeholder may apply to court for an order that the rule may be disapplied on the same basis. The prescribed part applies to all floating charges created on or after 15 September 2003 regardless as to whether they fall within one of the exceptions or not. However, this provision is unlikely to be of practical significance in the case of a special purpose entity such as the Issuer and, in the case of the Closing Date Floating Charges, the Borrowers, which are subject to substantial restrictions on their activities. As a result of those restrictions, the Issuer and the Borrowers will only have a limited ability to incur unsecured liabilities.

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

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 25 January 2007, under the name Ringmarsh PLC (with registered number 6067193), as a public company with limited liability under the Companies Act 1985 (as amended). The name of the Issuer was changed to Theatre (Hospitals) No. 1 PLC by a special resolution dated 19 February 2007. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP, with telephone number +44 207 398 6300.

The issued share capital of the Issuer is comprised of 50,000 ordinary shares of £1 each, of which 2 ordinary shares are fully paid up and 49,998 ordinary shares are one quarter paid up. 49,999 of the issued shares (being 49,999 shares of £1 each, one of which is fully paid up and 48,998 of which are paid-up as to 25p) in the Issuer are held by SFM Corporate Services Limited (the "Issuer Share Trustee") under the terms of a trust for charitable purposes established under English law pursuant to the terms of a declaration of trust (the "Issuer Share Trust Deed") dated 19 February 2007. The one remaining share in the Issuer, which is also fully paid-up, is held by SFM Nominees Limited under the terms of a trust as nominee for the Issuer Share Trustee.

Principal Activities

The Issuer is organised as a special purpose entity. The Issuer was established to raise capital by the issue of the Notes and to use the Note Proceeds to purchase the Loan Sale Assets from the Sellers in accordance with the Loan Sale Documents.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to: (i) its registration as a public company under the Companies Act 1985 (as amended); (ii) the authorisation and issue of the Notes; (iii) the ownership of such interests and other assets referred to herein; (v) the other matters contemplated in this Prospectus; (vi) the authorisation and execution of the other documents referred to in this Prospectus to which it is or will be a party; and (vii) other matters which are incidental or ancillary to those activities.

The Issuer's ongoing activities will principally comprise: (i) the issue of the Notes; (ii) the purchase of the Loan Sale Assets pursuant to the terms of the Loan Sale Documents; (iii) the entering into of the Issuer Transaction Documents, the Propco Facility Agreement and the Intercreditor Agreements; and (iv) the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in the Trust Deed. See Condition 4.1 (*Restrictions*).

The Issuer has no subsidiaries, employees or non-executive directors.

Directors and Company Secretary

The Directors of the Issuer, their respective business addresses and principal activities are:

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of special purpose companies

The company secretary of the Issuer is SFM Corporate Services Limited, whose business address is 35 Great St. Helen's, London EC3A 6AP.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2007. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

The auditors of the Issuer are Ernst & Young LLP acting through its office at 1 More London Place, London, SE1 2AF who are Chartered Accountants and registered auditors qualified to practise in England and Wales. Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales.

THE BORROWERS

Introduction

Each of the Borrowers was incorporated in England and Wales as a private Company with limited liability under the Companies Act 1985 (as amended).

The issued share capital of each Borrower is comprised of one ordinary share of £1 each.

Principal Activities

The Borrowers are organised as special purpose entities.

The Borrowers have not engaged, since their incorporation, in any activities other than those incidental to their incorporation, the acquisition of the Properties and the authorisation of the entry into the Propco Facility Agreement, the Leases and the related transactions described elsewhere in this Prospectus and matters which are incidental or ancillary to the foregoing. See "*The Leases*" and "*The Propco Facility Agreement and the Borrower Security*".

The Borrowers have covenanted to observe certain restrictions on their activities in accordance with the terms of the Propco Facility Agreement and the Tax Deed. See "*The Propco Facility Agreement and the Borrower Security*".

The Borrowers have no subsidiaries, employees or non-executive directors.

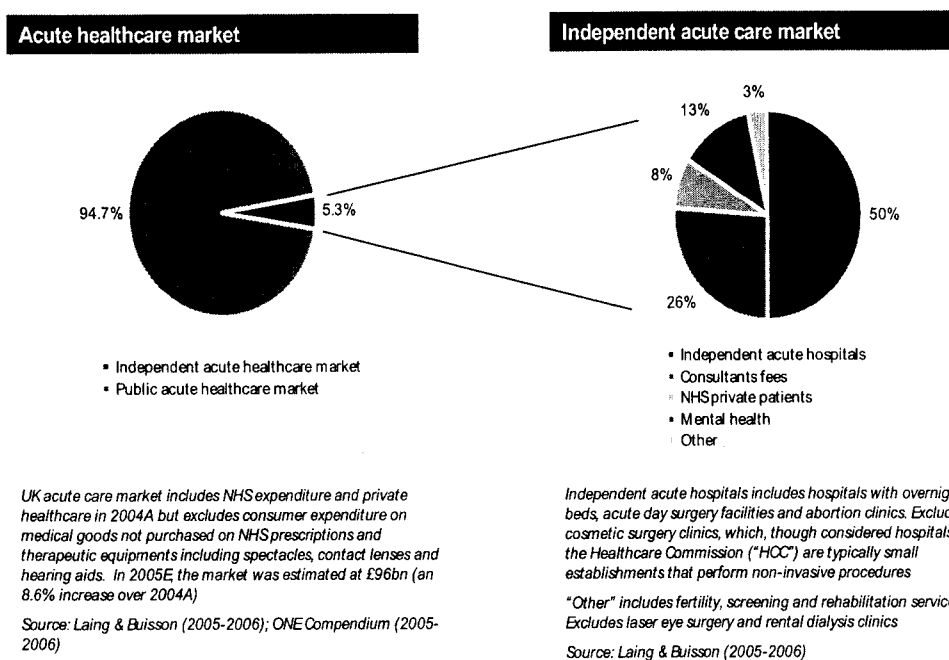
DESCRIPTION OF THE UK ACUTE CARE SECTOR

Acute Care in the United Kingdom - Market Overview

Secondary or acute care is provided to patients by specialists after referral from a primary care provider. In the United Kingdom, care provided at the patient's first point of contact—primary care—is provided for the most part by general practitioners and Accident & Emergency departments of National Health Service hospitals. Acute care is provided to patients in hospitals or clinics and may consist of outpatient consultation, diagnostic testing, or elective surgery.

In 2004, the total United Kingdom acute care market was worth £91.5 billion¹, of which 94.7 per cent. is government funded through the National Health Service ("NHS"). This is the highest percentage of publicly funded healthcare of all G7 countries. The remaining 5.3 per cent. of the market is accounted for by independent providers.

Around half of independent acute care revenues are generated by hospital operators such as General Healthcare Group, with approximately one quarter of fees going to consultants. Consultants are paid directly by payers, as they are not employees of private hospital groups.

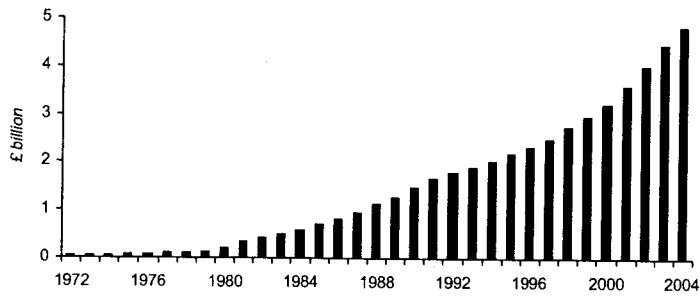


Independent Acute Care Market

In 2004, independent acute care provision was worth approximately £4.8 billion, with around half of this (£2.4 billion) paid to independent hospital operators such as BMI Healthcare. The market has grown significantly from 1972 as can be seen on the chart below:

¹ Source: Laing & Buisson Healthcare Market Review 2004 - 2005

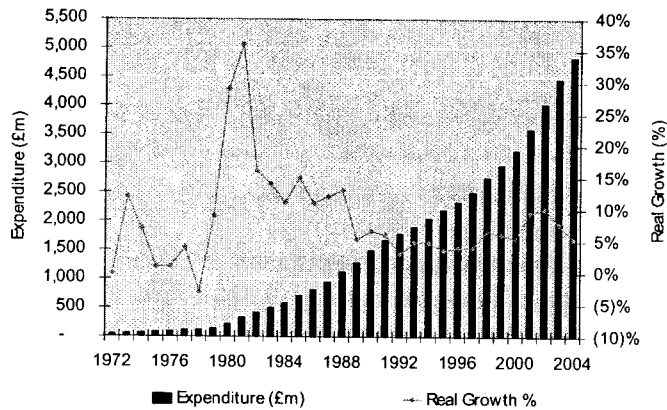
Private Acute Care Market Development: 1972-2004



Source: Laing & Buisson (2005-2006)

Over 2000-2004, the United Kingdom private acute care market grew at a compound annual growth rate ("CAGR") of 10.5 per cent., outpacing growth of the overall United Kingdom healthcare market of 9.5 per cent. per annum over the same period. Independent acute care providers have benefited from both continuing growth in private-funded acute care and from outsourcing of publicly-funded care to the independent sector.

UK private acute healthcare expenditure

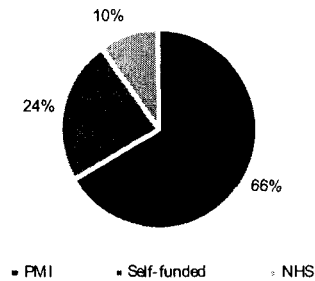


Source: Laing & Buisson (2005-2006)

Revenue Sources

Independent acute care is funded from three main sources: The majority of fees are paid by private medical insurers ("**Private Medical Insurers**") (c.66 per cent.), 24 per cent. is self-funded and 10 per cent. is NHS outsourcing, where private treatment is needed to meet shortfalls in public sector capacity.

UK Private Acute Care Market by Revenue Source



Source: Laing & Buisson (2005-2006)

Demand Drivers

There are a number of favourable demand drivers, which are forecast to drive the total demand for healthcare as shown below:

Demographics

An ageing United Kingdom population has growing healthcare needs, underpinning robust growth in the healthcare market. Healthcare expenditure per capita for those over 85 is 12 times higher than for those aged 16 to 44. Growth in the United Kingdom population over the age of 65 has been modest to date, because of the high mortality of the two world wars. The increase in the number people aged over 65 in the last 15 years was approximately 600,000, compared to an increase of 3m projected over the next 15 years.

Advances in medical technology

Medical technology and healthcare practices continue to advance rapidly, as new technologies are introduced and existing technologies and techniques are extended. This has two effects: firstly, it increases the range of treatments available, creating new demand, and second, this increases the proportion of complex operations, which typically attract higher revenue and higher margins.

An example of advancing technology is the dramatic increase in the range and the availability of diagnostic technologies in recent years. Use of three key advanced diagnostic imaging technologies, MRI, CT and PET has increased dramatically over the last five years. This has increased demand for treatment for conditions that previously may have gone undetected and untreated.

Epidemiological and lifestyle developments

The incidence of a number of lifestyle diseases such as obesity, diabetes (linked to stress and weight) and alcohol-related conditions is increasing, with direct implications for healthcare costs. Demand for treatments for these and related conditions is being driven towards the independent sector, as in some cases, treatment is not always easily available or is limited in the National Health Service.

Shift in consumer preferences

Demand for healthcare is also driven by changing consumer preferences as people become aware of new or alternative treatment. This is most relevant in the areas of in vitro fertilisation and cosmetic surgery. Guidance from external authorities and pressure for the National Health Service to ration resources results in demand for these services being met largely by independent providers. For example, around 75 per cent. of IVF cycles are currently performed by independent clinics.

Private Medical Insurance ("PMI")

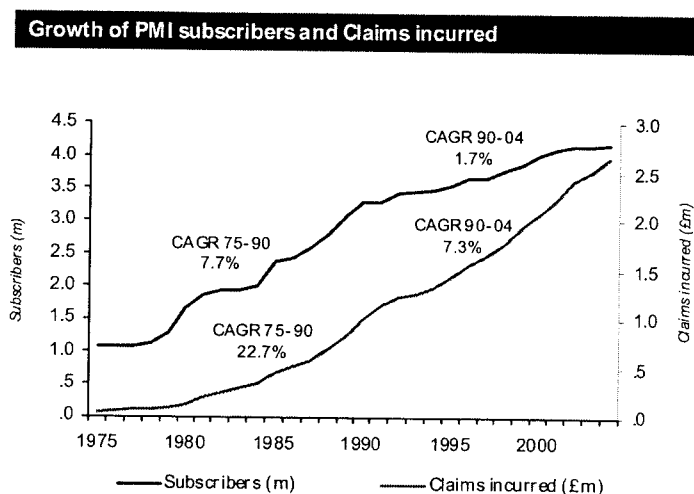
Around two-thirds of independent acute care fees are paid by Private Medical Insurers or Third-Party Administrators. From a hospital operator's perspective Private Medical Insurers and Third-Party Administrators share similar characteristics.

Patients with PMI are generally treated in independent sector hospitals. Since treatment for PMI subscribers involves limited out of pocket expense, PMI patients are price insensitive and so will seek the best care possible. PMI providers have limited influence over the choice of consultant or hospital: the General Practitioner recommends the consultant, and the consultant and patient choose the hospital, however, a hospital must be part of a PMI network in order to be chosen.

In 2004, 65 per cent. of subscriptions to PMI and Third-Party Administrators were paid for by corporates on behalf of their employees.

There are currently 3.6 million PMI subscribers in the United Kingdom with policies covering close to 6.6 million people (approximately 11.0 per cent. of the population) and around 1m more whose treatment is covered by Third-Party Administrators (a total 12.7 per cent. penetration).

PMI subscription levels have shown a strong long term growth trend and have remained highly stable despite economic slowdown and increased funding of the NHS:



Source: Laing & Buisson (2005-2006)

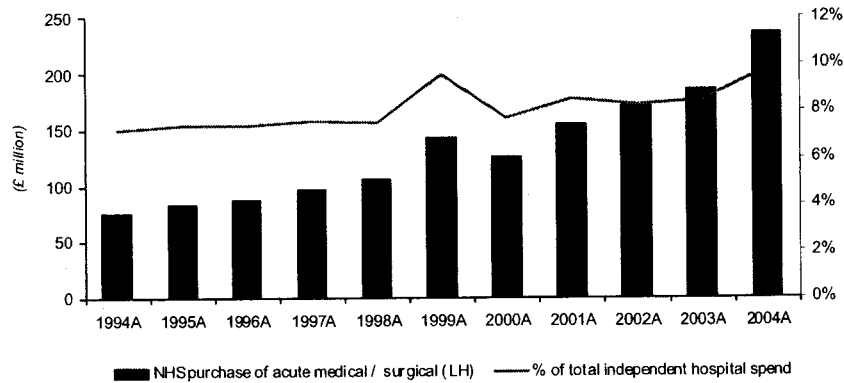
Self Pay

Self-pay customers accounted for approximately 20 per cent. of independent acute care revenues in 2004. It is expected that demand will increase, particularly driven by cosmetic and obesity surgery and fertility treatments.

National Health Service

The third primary funder, accounting for 9.8 per cent. of independent acute care revenues in 2004, is the National Health Service. The National Health Service procures independent sector treatment for National Health Service patients through spot purchasing arrangements when it is unable to meet

NHS purchase of acute medical/ surgical services (1994-2004)



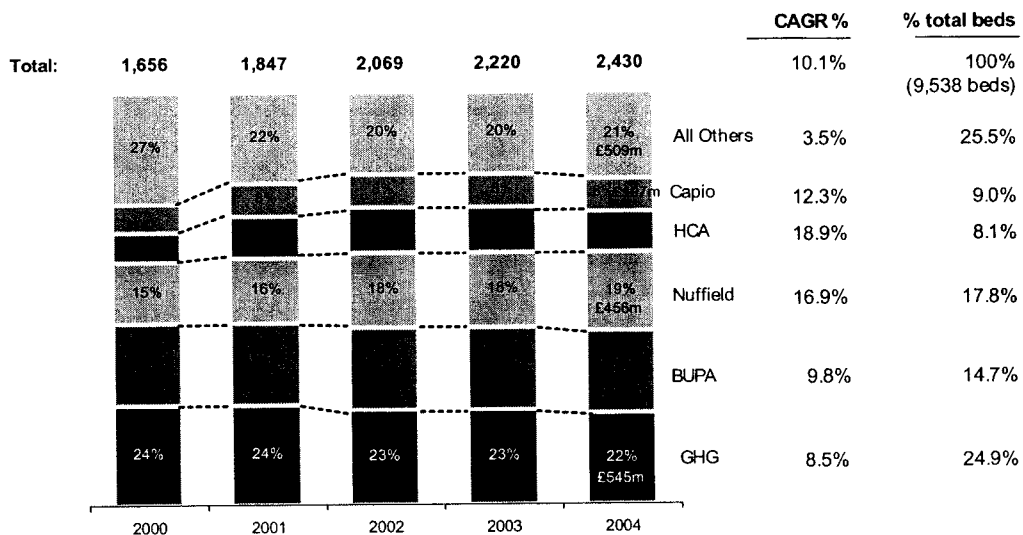
Source: GHG, Laing & Buisson (2005-2006), OHE Compendium (2005-2006)

demand, and, increasingly, through fixed-term or guaranteed volume contracts. Independent acute care revenues paid by the NHS have grown consistently at a CAGR of 12.1 per cent. from 1994-2004.

Supply Structure & Capacity

There are 216 private hospitals in the United Kingdom, providing capacity of approximately 9,500 beds. For-profit companies operate 70 per cent. of independent sector beds, with the remainder operated by charitable groups. The relatively high market concentration of the sector with five operators owning approximately 74.5 per cent. of bed capacity and 80 per cent. of revenues is shown below.

Independent acute medical/ surgical provider revenues



Source: Laing & Buisson Healthcare Market Review, 2005-6

The United Kingdom independent hospital sector has experienced significant consolidation over the past ten years driven by the benefits of scale for independent providers. Larger operators:

- can operate quality control systems and develop best practice with costs spread over a larger revenue and asset base;

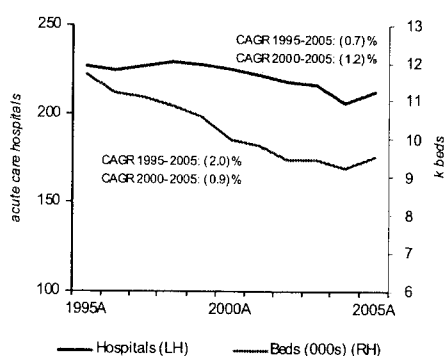
- possess the geographic coverage required to access a large population base;
- are more likely to be able to pass on price increases to PMI providers and have greater purchasing power for obtaining supplies (of all medical products and related services, from prostheses to cleaning services); and
- can use their greater financial and operational resources to exploit new market opportunities, including developing specific treatment services for growth surgeries.

There are also significant barriers to entry making it difficult for a new operator to construct an independent hospital in the United Kingdom. These include:

- availability of suitable sites, planning restrictions and the time for a new hospital to reach a mature level of performance;
- the investment risk of new build projects which is further increased by the challenge of capturing local demand. There is usually a maximum level of demand for each local catchment area, and so new builds must capture business from existing facilities;
- relationships with local GPs and, crucially, consultants, which are the key determinant of referral traffic. New entrants who lack a clinical reputation may find it difficult to attract qualified staff as there is a shortage across the industry, making the recruitment of competent nursing and ancillary staff more difficult;
- the fact that successful independents must also gain acceptance into PMI networks;
- the fact that competitive margins rely on being able to negotiate advantageous supply contracts which may be difficult without scale; and
- a stringent regulatory regime with rising costs of compliance. Larger operators spread the (relatively) fixed costs of regulation over their portfolios and benefit from a central quality control infrastructure.

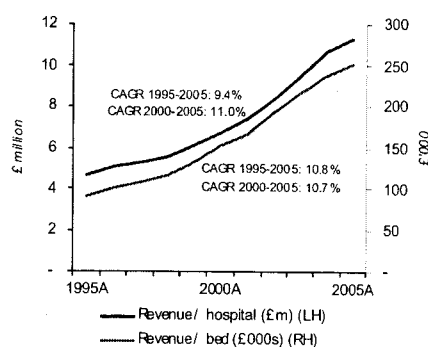
The decrease in both the number of hospitals and the number of bed supply in the independent acute market has led to increased revenue per hospital and bed since 1995 for the remaining operators as shown below:

Independent acute hospitals and beds (1995-2005)



Source: GHG, Laing & Buisson (2005-2006), OHE Compendium (2005-2006)

Revenue per independent hospital and bed (1995-2005)



Source: GHG, Laing & Buisson (2005-2006), OHE Compendium (2005-2006)

THE TENANT AND THE BMI HEALTHCARE BUSINESS

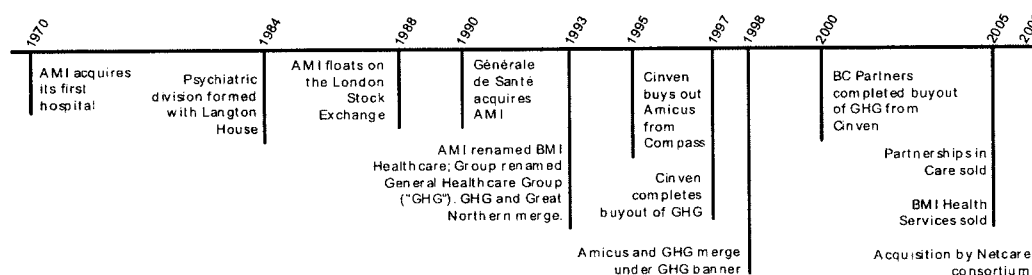
Introduction

General Healthcare Group Limited was incorporated in England and Wales on 4 July 2000 as a private company with limited liability under the Companies Act 1985 (as amended) with registered number 4026079. The registered office of General Healthcare Group Limited is at 66 Chiltern Street, 10th Floor, London, W1U 6GH.

General Healthcare Group Limited and its subsidiaries (one of which is the Tenant) (the "**General Healthcare Group**") operates a national network of private acute care services, through its main operating division BMI Healthcare Limited ("**BMI Healthcare**" and the "**Tenant**");

- BMI Healthcare operates 49 private acute-care hospitals.
- The hospitals owned or managed by BMI Healthcare have approximately 2,476 registered beds.

Brief History of the General Healthcare Group



The forerunner to BMI Healthcare was established in 1970 with the investment by American Medical International Inc. in the Harley Street Clinic (the Harley Street Clinic was sold by the General Healthcare Group in 1996). In the 13 years that followed, 13 hospitals were acquired or built. In 1985 the organisation's psychiatric division, called Partnerships in Care, was established. In 1988 the organisation's preventive health activity, now called BMI Health Services, was established as a separate division, providing occupational health and health screening services to a wide range of private and public sector clients.

In 1989 the Vivendi Group (then known as Generale des Eaux) acquired Great Northern Hospitals, which operated three hospitals in England. Vivendi went on to acquire the then listed AMI Healthcare Group plc in 1990, creating a group owning a total of 17 acute-care and four psychiatric hospitals.

In 1994 AMI Healthcare and Great Northern merged to form General Healthcare Group and, in addition, a further six acute-care hospitals, which operated in partnership with the NHS, were acquired. In 1996 General Healthcare Group disposed of its interest in a joint venture operating four central London hospitals. In 1997 General Healthcare Group was acquired by venture capital funds and was combined with Amicus Healthcare, in which those funds had previously invested, adding a further 15 hospitals to General Healthcare Group. Between 1997 and late 2000, three further acute care hospitals were added by a combination of new-build, acquisition and in one case a management contract. In August 2000 General Healthcare Group acquired Pastoral Homes Limited. In September 2000 General Healthcare Group was acquired by funds advised by BC Partners.

In 2002, the General Healthcare Group acquired two acute care hospitals in Scotland (in Aberdeen and Dundee). In 2003 General Healthcare Group took - on a profit-share basis - management responsibility

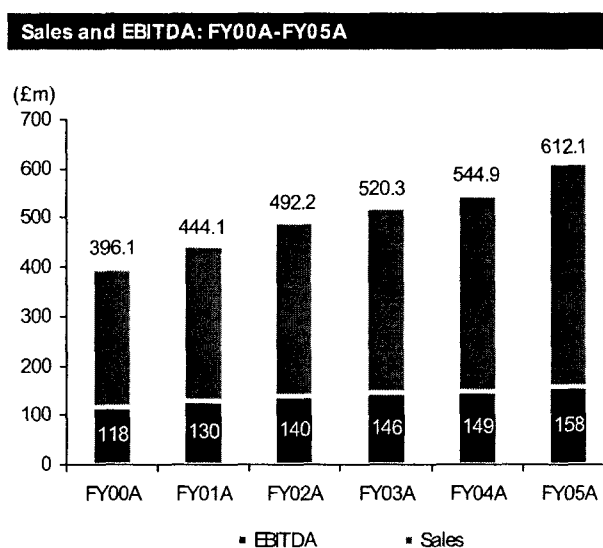
for a hospital in Banbury and recently entered into a 30 year joint venture of a hospital in Northampton which it previously managed. In 2005, the General Healthcare Group purchased the Mount Alvernia hospital and has recently completed the development of the Meriden hospital in Coventry.

To increase the acute care focus, Partnerships in Care was sold to funds advised by Cinven in April 2005, and the Group's occupational health division, BMI Health Services, was sold to The Capita Group plc in July 2005.

On the 12 May 2006 a consortium of investors led by Network Healthcare Holdings, funds advised by Apax Partners Worldwide LLP, London & Regional Properties and Brockton Capital (the "Consortium") completed the purchase of 100 per cent. of General Healthcare Group Limited. Netcare Healthcare UK Ltd was combined with General Healthcare Group following the acquisition by the Consortium and operates three contracts as part of the Wave I NHS outsourcing programme.

Historical Performance of the General Healthcare Group

The General Healthcare Group has experienced steady growth in sales and EBITDA through a combination of organic growth and acquisition. The chart below shows the growth in sales and profits between FY00 and FY05, which have grown at a compound rate of 9.1 per cent. and 6.0 per cent. respectively.



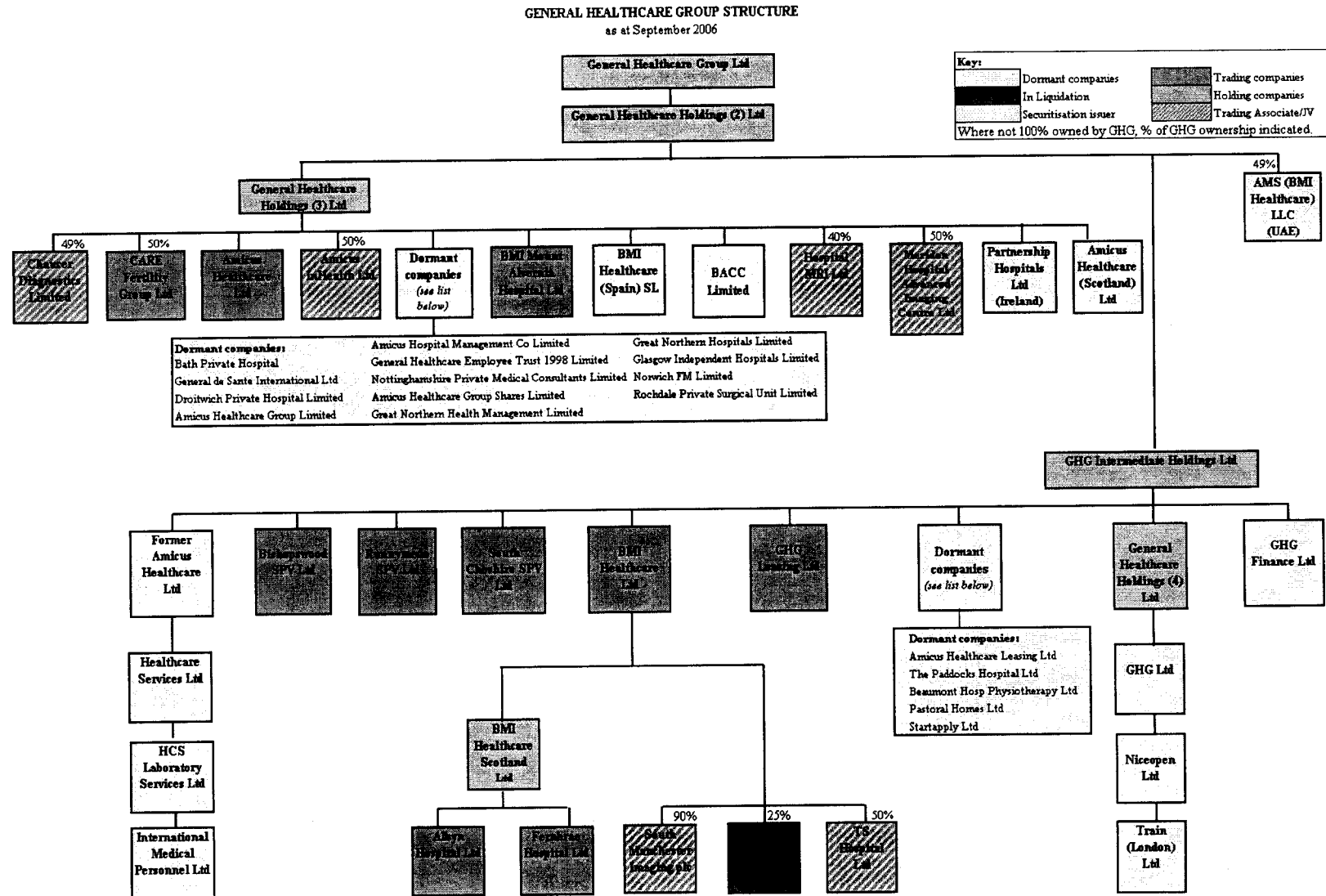
The table below shows the breakdown of the 49 hospitals currently operated by BMI Healthcare:

	Current		2005 Financials (£m)			
	Hospitals	Beds	Revenue	EBITDAR	Rent	EBITDA
Flagships	8	789	233.3	78.6	-0.6	77.9
Core BMI Hospitals*	29	1,247	284.7	78.5	-0.3	78.2
NHS Partnership Hospitals	9	349	72.9	19.2	-4.9	14.3
Total Acute Hospitals	46	2,385	590.9	176.3	-5.8	170.4
Managed Hospitals and other	3	91	20.4	3.5	-0.1	3.3
Total	49	2,476	611.3	179.8	-5.9	173.7

* The Manchester Lifestyle centre which is included in the Core BMI hospitals is not included in the PropCo Group however all of the flagships and the remaining 28 Core BMI Hospitals are included.

Group Structure

The following diagram sets out the corporate structure of the General Healthcare Group:



Group Senior Management

Acting Group Chief Executive Officer

Richard Friedland joined Netcare in early 1997 as Chief Operating Officer to lead the transformation and re-engineering of the Netcare business. He established Netcare UK and was CEO of Netcare's International Division from 2002 until August 2005 and appointed Group CEO in September 2005.

Previously Operations Director of Medicross, he was responsible for overall operations and establishing medical centres nationally in South Africa.

Chief Operating Officer

Jo Le Couilliard joined General Healthcare Group Limited in November 2005 from GlaxoSmithKline Plc, where she had spent 10 years in senior roles in general management and pharmaceutical marketing. Jo previously worked at Schroder Ventures and Coopers & Lybrand;

Jo has an MA from Cambridge University.

Chief Financial Officer

Phil Wieland joined the General Healthcare Group as Group Financial Controller in May 2006 and was subsequently promoted to Chief Financial Officer in January 2007. He had previously been employed by BskyB holding numerous senior finance positions including Supply Chain Finance Director and Group Financial Controller.

Phil qualified as a Chartered Financial Accountant with PWC in 1998 and holds a first class honours degree from Leeds University.

Netcare UK Chief Executive Officer

Mark Adams joined Netcare UK as CEO in December 2005. Before joining Netcare he was CEO of Corporate Services Group Plc, one of the largest recruitment agencies in the UK which included a specialist healthcare division supplying staff to the NHS. Previously Mark was CEO of AXA PPP Healthcare Group, the second largest private medical insurer in the UK with over 1.5m customers.

Mark had joined the AXA PPP Healthcare Group as MD of Denplan, its dental subsidiary which supports dentists moving from the public to the private sector, and provides dental cover to over 1m patients.

The General Healthcare Group has a head office support function which operates from 66 Chiltern Street, London W1 which provides technical support to each of General Healthcare Group's operating units in areas such as management of property and major projects, purchasing, IT, research and development, legal, finance, human resources management, risk management and compliance. The day to day running of each of General Healthcare Group's hospitals is delegated to the local Executive Director at that hospital. Each of these directors is in overall charge of their respective hospital and reports to a Regional Director. The Regional Directors in turn report directly to the Chief Operating Officer in the case of BMI Healthcare.

Operating Business Description – BMI Healthcare

Overview

The General Healthcare Group is the leading independent provider of acute care in the UK and with the exception of the NHS it is the largest hospital operator by revenue, number of hospitals, operating theatres and available beds.

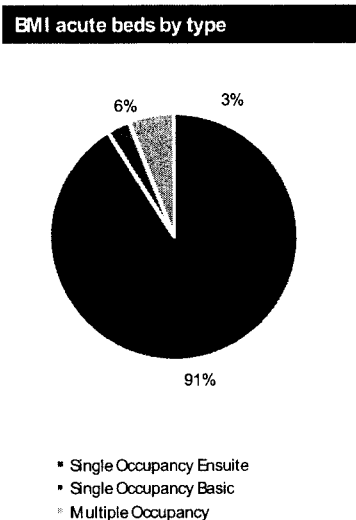
BMI Healthcare is the acute hospital division of General Healthcare Group and accounted for 97 per cent. of group sales for the year to 31 December 2005. BMI Healthcare provides facilities for acute medical care, from initial diagnosis through to treatment. BMI Healthcare is the largest provider in the United Kingdom market for private medical services, in terms of both revenues and registered bed numbers.

BMI Healthcare's hospitals are typically stand-alone units which provide patients and consultants with the facilities required for a wide variety of elective and non-elective medical procedures. Facilities would typically include operating theatres, recovery wards, as well as such clinical facilities as medical imaging services, physiotherapy, pharmacy and pathology laboratories.

BMI Healthcare's hospitals generate their income from the provision to patients of acute medical and surgical services including beds, operating theatres, medical equipment, the provision of nursing, diagnostic services such as pathology and radiology and the services of ancillary departments such as physiotherapy and pharmacy. In addition the hospitals rent consulting room accommodation to consultants on a seasonal basis. Many consultants carry out the whole of their private practice, including patient consulting, on BMI Healthcare's premises.

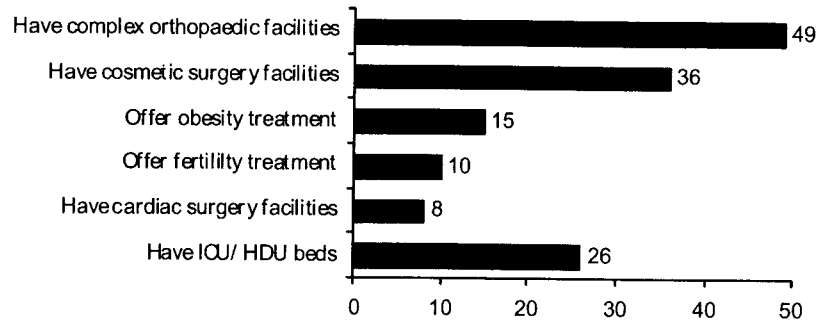
BMI Healthcare serves most major United Kingdom conurbations and cities, and is particularly strong in the South East and South West, where PMI penetration is highest. All hospitals are included in both the BUPA and AXA PPP PMI networks, strengthening their local positions.

94 per cent. of rooms are single occupancy with approximately 91 per cent. providing en-suite accommodation.



All of BMI Healthcare's 49 hospitals have complex orthopaedic facilities, and over half provide Intensive Care Unit or High Dependency Unit beds. 44 per cent. of BMI Healthcare's operating theatres have laminar flow systems.

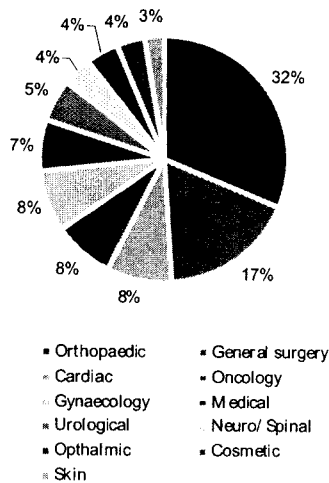
BMI capabilities as % of total hospitals



Source: GHG

BMI Healthcare offers a full range of surgical and medical procedures. BMI Healthcare's top five medical specialties – general surgery, orthopaedics, gynaecology, urology and ophthalmology – account for 73 per cent. of total cases. Orthopaedics has grown as a share of operations from 19 per cent. to 25 per cent. between FY00A and FY05A, driven by improvements to medical techniques and technologies. As can be seen in the pie chart below, orthopaedic surgery generates the most revenue:

FY05A Revenue segmentation



Note: Includes inpatient and day cases only. Excludes Mount Alvernia
Source: GHG

BMI Healthcare revenues are broadly in line the market in terms of payer-type segmentation, with a slightly higher concentration in the PMI segment.

PMI

Slightly more of BMI Healthcare's revenues come from payers with PMI than the national average (70 per cent. BMI vs. 66 per cent. national average in 2005). Fees paid to BMI Healthcare by insurers are based on an agreed price list. The form of agreement varies with each insurer, but broadly fees are charged for each element of treatment provided (use of the operating theatre, accommodation, medical

supplies) and depend on the type and complexity of procedure. Contracts tenors have varying lengths with a typical minimum length of one year.

Self Pay

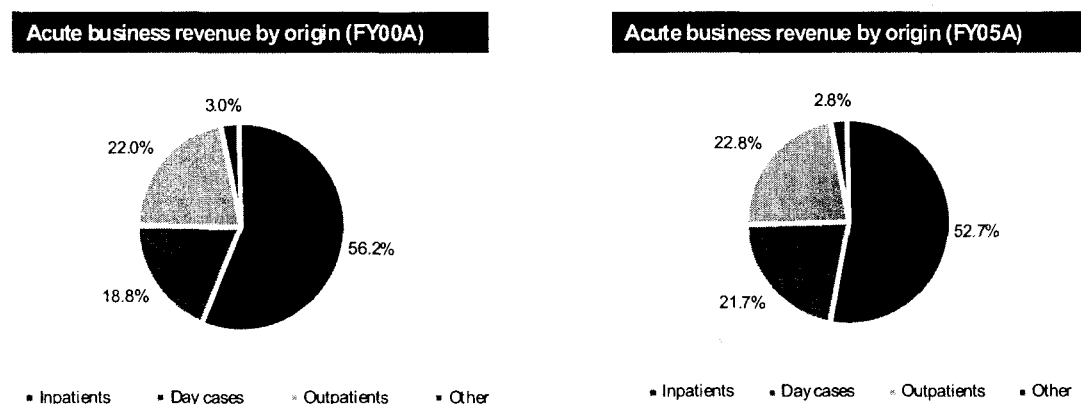
20 per cent. of BMI Healthcare's revenues were from self-pay patients in FY05A, in line with the sector average of 19.5 per cent. Revenue from self-payers is spread over a wide variety of surgeries, with the top ten procedures contributing only 34 per cent. of self-pay inpatient and day case revenue. The largest contributor to self-pay revenue is orthopaedic surgery – hip replacements and knee replacements. Significant future growth is expected from lifestyle surgery such as obesity surgery and cosmetic surgery (currently 3 per cent. of total admissions) as these markets reach maturity.

NHS

NHS funding contributed less than 4 per cent. of Properties EBITDA in FY05A and the senior management of the General Healthcare Group has an overall rule of thumb that across the 49 hospitals no more than 10 per cent. of revenue will be generated from NHS patients.

Revenue Mix

The General Healthcare Group derives approximately half its revenues (c.50 per cent. in FY05A) from inpatients. Outpatients have remained a relatively stable proportion of BMI Healthcare's business, with outpatient revenues increasing slightly as a proportion of the total revenues from 22 per cent. in FY00A to 23 per cent. in FY05A as more surgical cases are being undertaken as outpatient procedures.



Source: GHG

Source: GHG

Volume growth is a product of growth in demand for BMI Healthcare's services and increased capacity. The number of available beds has grown at a 2.0 per cent. CAGR since FY00A (although total beds decreased in FY05A), and the Group has also added operating theatre and diagnostic capacity over the period.

There has been a steady change in mix from inpatients to day cases for over a decade. While absolute volumes of both have increased through the period, day cases have grown at 4.9 per cent. per year and have increased as a proportion of total caseload from 52 per cent. to 56 per cent. Advances in medical technology such as improved anaesthetics and the introduction of less invasive procedures have meant that many operations, which were previously inpatient procedures can now be performed as day cases.

Quality Differentiation

BMI Healthcare has a number of operating competencies:

- Quality — BMI Healthcare has a strong reputation for high quality and high value healthcare services;
- Partnerships — BMI Healthcare operates successful and profitable partnerships with a variety of partners, including clinician groups and the NHS;
- Locations — BMI Healthcare has a good geographic spread of units across the United Kingdom, reaching a higher proportion of the medically insured population than any other similar business;
- Relationships — BMI Healthcare has strong relationships with clients in the healthcare community (especially doctors);
- Local Strength — BMI Healthcare's individual hospitals have built strong and sustainable local businesses; and
- Management — BMI Healthcare has a devolved management structure providing flexible and responsive decision making. BMI Healthcare executive directors are generally experienced having spent an estimated average time of some 10 years in management with BMI Healthcare.

Hospital Locations

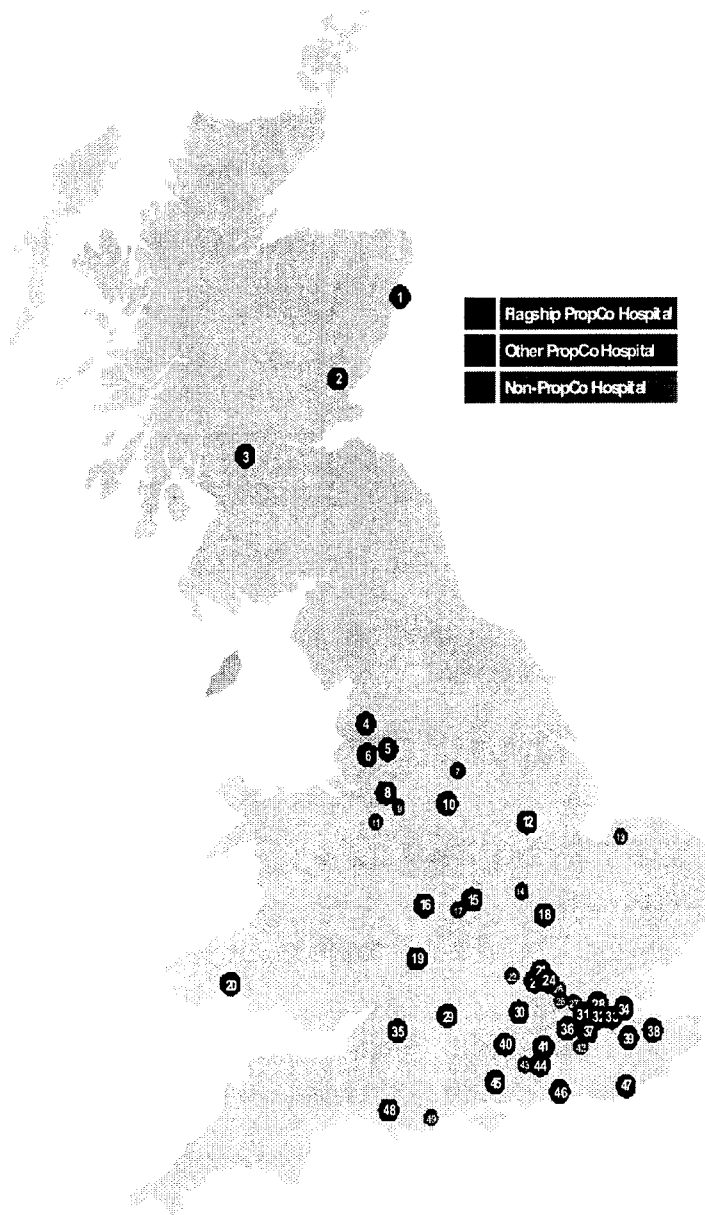
BMI Healthcare's portfolio of hospitals is located primarily in England², with the exclusion of central London. BMI Healthcare has extensive coverage throughout the United Kingdom, with management estimating that a BMI Healthcare hospital is located within 30 minutes drive time of approximately 49 per cent. of the population which is covered by medical insurance.³

Patients will tend to use the services of the closest hospital that is able to conduct the procedure that they require: this extends to some 45 minutes or so for those hospitals capable of undertaking cardiac or other complex surgery. BMI Healthcare has five hospitals capable of providing such services, and on this basis is able to serve 53 per cent. of the population.

The map below indicates the locations of BMI Healthcare's hospital sites. Not all the hospitals illustrated below are in the Property Portfolio for the purpose of this Prospectus.

² There are three Properties in Scotland and one in Wales

³ Source: Management estimate



1. Albyn Hospital
2. Farnbrae Hospital
3. Ross Hall Hospital
4. Beardwood Hospital
5. Highfield Hospital
6. Beaumont Hospital
7. Chatsworth Suite
8. Alexandra Hospital
9. Manchester Lifestyle Hospital
10. Thornbury Hospital
11. South Cheshire Hospital
12. Park Hospital
13. Sandringham Hospital
14. Three Shires Hospital
15. Nuneaton Private Hospital
16. Priory Hospital
17. Meriden Hospital and Wing
18. Manor Hospital
19. Droitwich Spa Hospital
20. Werrdale Hospital
21. Saxon Clinic
22. Foscoke Hospital
23. Paddocks Hospital
24. Chiltern Hospital
25. Shelburne Hospital
26. Kings Oak Hospital
27. Bishops Wood Hospital
28. London Independent Hospital
29. Ridgeway Hospital
30. Princess Margaret Hospital
31. Garden Hospital
32. Sloane Hospital
33. Chelsfield Park Hospital
34. Fawkham Manor Hospital
35. Bath Clinic
36. Clemertine Churchill Hospital
37. The Backheath Hospital
38. Chaucer Hospital
39. Somerfield Hospital
40. Hampshire Clinic
41. Mount Avemia
42. Midacea Surgical Centre
43. Runnymede Hospital
44. Shirley Oaks Hospital
45. Sarum Road Hospital
46. Gosling Hall Hospital
47. Esperance Hospital
48. Winterbourne Hospital
49. Harbour Hospital

Relationship with Medical Consultants

BMI Healthcare’s business rationale is that consultants have both the knowledge and regular contact to make an informed judgement about the relative merits of alternative hospitals. Consultants are uniquely positioned to be able to communicate such knowledge to prospective patients. The consultants are supported in each hospital by Resident Medical Officers, available 24 hours a day, each of whom has a qualification in advanced life support. BMI Healthcare does not generally employ the consultants who perform procedures on patients within its hospitals. Such consultants utilise BMI Healthcare’s hospital facilities (for example operating theatres and beds) to perform various clinical procedures. The use of these facilities is paid for by the patient (or their medical insurer if applicable). Consultants generally

bill their patients separately from BMI Healthcare and it is not normally BMI Healthcare's obligation to pay these specialists for their service⁴.

BMI Healthcare's hospitals provide consultants with a comprehensive infrastructure, allowing those consultants to perform procedures on private patients without having to make an investment in the capital facilities, and administrative and clinical support required to undertake those services. As well as providing the hospital units, BMI Healthcare also employs the theatre and ward nursing staff who assist the consultant in undertaking the medical procedures and supervising the patients' recovery and stay in the wards after the procedure has been completed.

Ensuring strong working relationships with consultants is an important component of the role of senior management in each hospital and efforts are directed to ensuring that these relationships work well. Each consultant will have been granted admitting privileges, defining the basis on which his or her practice will be undertaken at the hospital. Along with other industry providers, BMI Healthcare has worked closely with the Department of Health, the British Medical Association and the General Medical Council to secure the introduction of systems to allow consultants with NHS practices to be appraised across the whole of their clinical practices (that is across both their private and their NHS practice). To assist local relationships with the consultant community, each hospital has a Medical Advisory Committee, a forum in which the hospital and medical specialty representatives meet and review clinical practice data and other matters of common interest and in addition provide the hospital with clinical advice.

Regulation

BMI Healthcare hospitals are subject to regulation and inspection in England and Wales by the Healthcare Commission, under the Care Standards Act 2000, and in Scotland by the Care Commission, under the Regulation of Care (Scotland) Act 2001. Inspections take place at least twice per annum. To date all BMI Healthcare hospitals have demonstrated compliance with national minimum standards and no registration has been revoked or restricted

Insurance

The General Healthcare Group maintains insurance of the type and in the amounts that it believes are commercially reasonable and available to businesses in its industry. The main liability exposures faced in relation to General Healthcare Group's activities are in the area of public liability, employers' liability and medical professional liability as well as property insurance and business interruption insurance. In addition, there is product liability exposure arising out of pharmaceutical and other supplies sold or supplied to patients by General Healthcare Group.

The General Healthcare Group procures its insurance through a professional insurance broker which also provides advice to management as to the type and levels of cover which are available for businesses similar to the General Healthcare Group.

⁴ Other than in the case of retained Radiologists, Pathologists and in cases of Consultants providing services to self-paying patients as part of a fixed price package agreed between the Hospital and patient and paid for in advance.

Consolidated financial information in respect of the General Healthcare Group Limited

The financial information for the two years ended 31 December 2005 is set out in Appendix A and has been extracted from the year ended 31 December 2005 audited consolidated accounts of General Healthcare Group Limited for the two years to that date.

DESCRIPTION OF THE PROPERTY PORTFOLIO

Introduction

Set out below is a summary of certain aspects of the Property Portfolio. Additional information in relation to the Properties is set out in the full Property Valuation Report reproduced on the CD-ROM distributed contemporaneously with this Prospectus. The CD-ROM, and the information contained thereon, does not form part of this Prospectus.

Property Portfolio Summary

The Properties forming the Property Portfolio, which serve as collateral for the obligations of the Borrower under the Finance Documents, consist of 33 freehold (heritable title in Scotland) (with one of those Properties, Alexandra Hospital, comprising a small leasehold portion that is to be transferred to the relevant Borrower (see "*Risk Factors - Title*" above)) and 3 long leasehold properties located in England, Wales and Scotland. All figures in the description of these Properties have been extracted from the Property Valuation Report.

The Properties were valued by the Valuer as part of the acquisition of the General Healthcare Group. For further detail see "*Property Valuation Report*" below which contains a copy of the Property Valuation Report prepared by the Valuer for inclusion in the Prospectus. The Property Valuation Report has been prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards (otherwise known as the Red Book).

Based on the Property Valuation Report, as at 30 June 2006:

- the market value of the Property Portfolio given the Leases and assuming that only 0.50 per cent. stamp duty is payable is £2,125,000,000 (Basis 1 in the tables below); and
- the aggregate of the individual market values of the Properties given the Leases and assuming that only 0.50 per cent. stamp duty is payable is £1,813,300,000 (Basis 2 in the tables below).

The Properties represent 36 out of 49 hospitals currently operated by BMI Healthcare and provided 84 per cent. of the revenues of the BMI Healthcare business in 2005 and 89 per cent. of the EBITDAR. Eight of the 36 hospitals have been designated as flagships by the Valuer as they are the leading independent provider within a city or district and have the capacity and capability to provide the vast majority of acute medical services supported by proficient Intensive Treatment Units. These make up 56 per cent. of the total value.

Concentration by Value and Rent

The top five Properties represent 43.86 per cent. of the total value. No one hospital represents more than 14.6 per cent. of total value.

	Value (Basis 1)	Value (Basis 2)	Allocated Debt	% of Total Value	Net Rent	% of Total Rent
Top 5 Hospitals	932,059,000	795,300,000	723,716,790	43.86%	45,724,636	40.46%
Next 10 Hospitals Sub-Total	750,319,000	640,300,000	582,601,991	35.31%	38,569,268	34.13%
Next 21 Hospitals Sub-Total	442,622,000	377,700,000	343,681,221	20.83%	28,706,094	25.40%
Total Hospitals	2,125,000,000	1,813,300,000	1,650,000,002	100.00%	112,999,998	100.00%

Geographic Location

The Properties are located throughout England, Wales and Scotland offering good geographic diversity.

Region	%
South East	24.65%
Greater London	21.28%
North West	18.82%
Scotland	9.03%
West Midlands	9.22%
South West	7.41%
East Midlands	4.44%
Yorkshire	4.25%
Wales	0.51%
East Anglia	9.39%
North East	0.00%

PMI penetration was 12.7 per cent. across the United Kingdom in 2004. The Properties are located in areas of above average PMI penetration. A weighted average by number of beds shows the effective PMI penetration across the Property Portfolio is 14.6 per cent.

	Number of Beds	PMI Penetration
South East	661	19.50%
Greater London	455	16.50%
North West	316	10.50%
Scotland	161	7.50%
West Midlands	164	11.00%
South West	163	12.50%
East Midlands	93	10.50%
Yorkshire	77	10.50%
Wales	28	9.00%
East Anglia	23	16.50%
North East	0	6.50%
Total	2,141	14.56%

Tenure

89.31 per cent. of the Property Portfolio value is attributable to Properties held freehold (or the Scottish equivalent). The 3 Properties held under a long leasehold have a value-weighted average unexpired lease term remaining of 114 years.

	Value (Basis 1)	Value (Basis 2)	Allocated Debt	% of Total Value	Net Rent	% of Total Rent
Freehold	1,897,740,000	1,619,400,000	£1,473,538,695	89.31%	100,927,768	89.32%
Long Leasehold	227,260,000	193,900,000	£176,461,307	10.69%	12,072,230	10.68%
Total Hospitals	2,125,000,000	1,813,300,000	£1,650,000,002	100.00%	112,999,998	100.00%

Rent

Following completion of the sale and leaseback the initial annual rent receivable is £113 million. As described in the Leases, the rent will be uplifted at 2.50 per cent. p.a.

PROPERTY VALUATION REPORT

Following is an executive summary of the Property Valuation Report prepared by the Valuer. The full Property Valuation Report is reproduced on the CD-ROM distributed contemporaneously with this Prospectus. The CD-ROM, and the information contained thereon, does not form part of this Prospectus. There has been no re-valuation of the Properties for the purpose of the issue of the Notes. Valuations quoted in this document are as at 30 June 2006.



29 March 2007

Barclays Capital, the banking division of
Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

Theatre (Hospitals) No. 1 PLC
35 Great St. Helen's
London EC3A 6AP

Citicorp Trustee Company Limited
Citicorp Centre
Canary Wharf
London E14 5LB
(in its capacity as Trustee)

Dear Sirs

Properties: 36 Independent Hospitals situated throughout the UK (the "Portfolio" or the "Properties")

1. TERMS OF INSTRUCTION

1.1 Our appointment

In accordance with the letter of instruction, dated 10 May 2006 (Appendix A), we have valued the property interests comprising the Portfolio, as at 30 June 2006 (the "Valuation Date") in connection with the proposed debt structure.

This report should be read in conjunction with our full report dated 27 July 2006, that sets out full details of individual properties, the market and our approach to the valuation, together with full terms and conditions pertaining to this instruction.

We understand that our valuation is required in connection with the grant of a seven year loan facility.

DTZ have undertaken internal and external inspections of each of the Properties within the Portfolio during June 2006. During our inspections we were accompanied by members of staff from each Hospital. Access was provided to common areas, plant rooms, and non-public areas of accommodation. Access to treatment rooms, consulting rooms, bedrooms operating theatres and other clinical areas was restricted to those areas that were not in use at the time of our inspection.

We confirm that the valuations have been prepared in accordance with the appropriate sections of the Practice Statements (“PS”) and United Kingdom Practice Statements (“UKPS”) contained within the RICS Appraisal and Valuation Standards, 5th Edition (the “Red Book”).

The Consortium as part of its due diligence exercise prior to acquisition of the Portfolio appointed a number of professional advisers (collectively referred to as the “Professional Advisors”) to provide specific advice and analysis of the Portfolio and business of GHG. We have been advised that the Bank has obtained all necessary confirmations to enable reliance to be placed on the work undertaken by the Professional Advisers in connection with the proposed provision of debt. Whilst we can not have direct reliance on all third party reports, the Bank have instructed us nevertheless to assume that they are correct.

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation. It is confirmed that we have had no previous involvement with the Properties.

1.2 Bases of valuations

We have been instructed to provide valuations on the following bases:

- a. Market Value of the Portfolio with vacant possession assuming the Properties are fully equipped operational trading entities and that such vacant possession is not as a result of changes in the trading potential or profitability of the Portfolio;
- b. Market Value of the Portfolio assuming that each of the Properties have been let to OpCo under 25 year leases drawn on the terms described in Section 4 below;
- c. Market Value of the each of the Properties assuming that they have been let to OpCo under 25 year leases drawn on the terms described in Section 4 below; and
- d. Market Value on the bases outlined in a, b, and c above assuming that Stamp Duty is payable at a rate of 0.5% due the fact that the Portfolio is acquired by the transfer of shares.

In order to prepare the valuations referred to in b. and c. above, it is necessary for us to prepare valuations on the Special Assumption that the leases between OpCo and PropCo have been completed. We note that these leases are now in place. In order to prepare the valuations referred to in d above we have to adopt the Special Assumption that only 0.5% stamp duty is payable by the hypothetical purchaser.

A “Special Assumption” is defined in the Red Book. A Special Assumption is referred to in the Glossary in the Red Book as an “*Assumption that either:*”

- *requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or*
- *is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.*

In summary, a Special Assumption is adopted when the actuality is different from the assumption made.

In the circumstances of this instruction, we consider the above Special Assumptions may be regarded as realistic, relevant and valid.

We have set out the definitions of the bases of valuation in Appendix B.

In assessing the value of the Portfolio as described in a. above (i.e. assuming vacant possession), the Portfolio has been valued with reference to the trading potential of the Properties and as such have been valued as a fully operational business. Our valuation therefore reflects the income/earnings derived from the operation of the existing business units. To this extent, the valuation of the Portfolio reflects the value derived from a portfolio of properties on the basis of their existing use, i.e. Private Hospitals. In accordance with our instructions, the Portfolio has not been valued on the basis of possible development potential for an alternative use. We have had regard only to the existing use since this generally reflects the approach that purchaser's of a portfolio of this type would adopt when formulating bids. We have therefore not reflected any value of land which could become surplus to the operational business and used for alternative uses (subject to necessary planning consents).

The Portfolio, without the benefit of the sale and leaseback, is of a nature normally sold as a fully equipped and operational entity and as such has been valued by reference to their trading potential to include: -

- a. the land and the buildings;
- b. trade fixtures, fittings, furniture, furnishings and equipment; and
- c. the market's perception of the trading potential of the Portfolio excluding personal goodwill and any other intangibles, with an assumed ability to renew existing licences, consents, registrations, permits and certificates.

The valuation reported herein of the Portfolio, as stated above, is on the basis of trading potential of and as such it is assumed that:

- d. the businesses will at all times be effectively and competently managed, operated and promoted; and
- e. the businesses will be properly staffed, stocked and capitalised.

The underlying assumption when valuing properties of this nature is that there is a competent operator available to manage the Portfolio.

In undertaking a valuation by reference to trading performance, we have been provided with historical information at property level, company and property level 2006 budget trading

information and property level 2006 KPMG analysis. We have not seen detailed business forecast 2007 trading information at property level.

In undertaking our valuation assuming the grant of the OpCo/PropCo lease we have assessed the rent payable based upon the trading potential of the Portfolio and as such have also adopted the same assumption with regards to land and buildings and trade fixtures, furniture etc.

The Portfolio is integral to the business and therefore, as with all classes of property valued by reference to trading potential, the underlying value of the property asset can fluctuate to a greater degree when that trading potential is altered, either up or down, than is normally the case with most other types of commercial property. Consequently, if the EBITDA were to fall substantially short of current levels, then this would have a detrimental effect on future value, conversely if the EBITDA were to rise substantially this would have a positive effect.

2. THE PORTFOLIO

The Portfolio comprises a total of 36 hospitals (33 Freehold and three Long Leasehold), forming part of the BMI Healthcare hospitals that have been acquired by the Consortium.

The Portfolio offers a good geographical spread and the majority of Properties are either purpose built or part new build/part conversion.

Of the 36 hospitals owned Freehold or on Long Leases, eight hospitals are classed as flagships, being the major independent hospital in their region with the capacity and capability to provide the vast majority of acute medical services supported by proficient Intensive Treatment Units (ITU's). Seven of the flagship hospitals are located in England with the remaining one in Scotland. The remaining 28 are classified as core hospitals and are medium-sized, primarily 30 to 70 bed facilities. We set out below a summary schedule of the properties within the Portfolio.

The hospitals are equipped with the latest technology and are some of the major suppliers of complex surgical procedures in the country. Each hospital has intensive care or high dependency units but do not currently offer Accident and Emergency services, enabling specialist staff to undertake a wide range of procedures from routine investigations to the most complex, high acuity cases such as cardiac and neuro surgery. Details of the facilities are set out in the individual property reports in our full report.

3. ASSUMPTIONS AND SOURCES OF INFORMATION

An assumption ("Assumption") is defined in the Glossary to the Red Book as a "supposition taken to be true". Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed.

The Assumptions we have made for the purposes of our valuations are referred to below:

3.1 Title

We have been provided with a Final copy of the Project Theatre/Muse Real Estate Due Diligence dated 21 April 2006 prepared by Ashursts. Ashursts were instructed by the

Consortium to provide a review of the Certificates of Title prepared by Clifford Chance and Dickson Minto acting on behalf of the vendor as part of the bidding process.

We confirm that we have reflected the contents of the documents referred to above when valuing the Portfolio. We are of the opinion that the title issues raised would not be considered as material by a Purchaser in the context of a Portfolio of this nature and extent.

3.2 Condition of Structure and Services, Deleterious Materials, Plant & Machinery

Due regard was paid to the state of repair and condition of each property inspected, but condition surveys were not undertaken, nor were woodwork or other parts of the structure which were covered, unexposed or inaccessible, inspected. Therefore, we are unable to report that any of the properties are structurally sound or are free from any defects. We have assumed that all the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of this valuation, it has been assumed that any investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the site is free from any defect as to foundations. Where relevant, we have assumed that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed, or to be constructed thereon. We have also assumed that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the properties comprising the Portfolio.

No tests have been carried out as to electrical, heating or any other services nor have the drains been tested. However, we have assumed all services to be functioning satisfactorily.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to the value, that the client and/or third parties (whether notified to us or not) accept that this report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

3.3 Proposed OpCo/PropCo Lease

We have been provided with a final version of the Occupational Lease, dated 21 July 2006, to be granted between OpCo and PropCo. A separate lease is to be granted for each of the Properties.

On the basis of the Heads of Terms provided, we are of the opinion that the leases have been drawn on institutionally acceptable terms and in accord with terms DTZ have seen in similar OpCo/PropCo transactions.

3.4 Environmental Issues

We have been provided with a copy of the final Draft Overall Summary Report dated 21 April 2006 prepared by Environmental Resources Management Limited ("ERM") and we have, as instructed, relied upon its contents and findings when undertaking our valuations.

Other than as referred to above, we have not made any investigations to establish whether there is any contamination or potential for contamination to the subject properties.

Commensurate with our assumptions set out above we have not made any allowance in this valuation for any effect in respect of actual or potential contamination of land or buildings.

3.5 Floor Areas

None of the properties have been measured.

3.6 Statutory Requirements and Planning

Verbal or written enquiries have been made of the relevant planning authority in whose area each property lies as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. The results of our enquiries have been included within our Report where relevant.

Save as disclosed in a Certificate of Title or unless otherwise advised, we have made an Assumption that the building has been constructed in full compliance with valid town planning and building regulations approvals, that where necessary it has the benefit of a current Fire Certificate and that the property is not subject to any outstanding statutory notices as to its construction, use or occupation. Unless our enquiries have revealed to the contrary, we have made a further Assumption that the existing use of the property is duly authorised or established and that no adverse planning conditions or restrictions apply.

3.7 Information

We have assumed that all information provided to us by the Borrower and their professional advisers in respect of the Portfolio is both full and correct and corresponds with that which has been made available to all the advisers.

It follows that we have assumed that details of all matters likely to affect value within the Borrower's knowledge have been made available to us and that the information is up to date.

We have been provided with a copy of the Project Theatre Regulatory Due Diligence Report dated 21 April 2006 prepared by Lester Aldridge for the Consortium and have relied upon its contents.

4. VALUATION OF THE PORTFOLIO

In assessing the affordable rent for the Portfolio, we have adopted a rent cover based on rent equating to circ 65% of EBITDAHR. This results in a rent cover of 1.535 times. In assessing affordability we have also considered rent cover after making allowance for Head Office costs and maintenance or sustaining capital expenditure.

The central cost figures below include the Head Office function including the senior management team and central finance; network costs relating to the running of the regional network, including IT costs; and the costs of supporting the Group with product initiatives. KPMG have considered the allocation of Central costs between the Portfolio and the other properties within the Group. Costs have been allocated on the basis of revenue split on the presumption that revenue generation reflects the activity at each hospital and we would agree that the approach seems realistic and reasonable. KPMG analysis indicates that the Head Office costs allocated to the Portfolio, after allowing for other group level costs and revenue, equated

to £10.8m in 2005 and is budgeted to be £12.9m in 2006. The EBITDA, after allowing for Head Office costs is forecast to be £160.6m. On this basis the affordable rent represents 70.36% % of the total EBITDA providing a rent cover of 1.42 times.

We have also considered the rent cover based upon the EBITDA after deduction of maintenance or sustaining capital expenditure. GHG have spent an average of £16.53m per annum on sustaining capex since 2003. The information provided as part of the bid process indicates that GHG define sustaining capex as all individual expenditure spent below £0.2m, where the asset has useful economic life of greater than two years. The management of GHG have forecast a significant increase in average sustaining capex across the Group and the 2006 budget figure is forecast to rise to circa £22.0m. This increase has been budgeted by the management in order to support the business going forward and to protect the revenue and profit lines. Such capital expenditure does not include project capex which is designed to improve revenues.

We have been provided with a schedule of actual sustaining capex spent in 2005 on a property-by-property basis which shows that approximately £9.6m was spent on properties within the Portfolio. Discussions with the management have confirmed that this figure did not include capex which had been approved but not yet spent due to the phasing of the expenditure. We have made enquiries of the management to provide the sustaining capital expenditure budget for 2006 for the properties within the Portfolio. This information has not been made available, so we have considered the best way to allocate the capex based on either number of beds or EBITDAHR contribution. On this basis, we have allocated £18.25m of the sustaining capex to the properties within the Portfolio. This represents circa 3% of the revenue generated by the Portfolio which is in line with other healthcare transactions and the historic expenditure of GHG.

On the basis of the above, the rent cover within the Portfolio based on the 2006 Forecast Run Rate EBITDA, after allowance for Head Office costs and sustaining capex, the rent cover is 1.25 times.

As detailed earlier, KPMG have assessed the 2006 run rate EBITDAHR produced by the Portfolio to be £173.5 million. On this basis we are of the opinion that the affordable rent for the Portfolio as a proportion of EBITDAHR is circa 65%. This is benchmarked against other similar transactions and reflects the potential growth within the business which will improve rent cover over the short term (See Section 11.6 above). The total rent for the Portfolio is £113.0 million per annum exclusive.

We would make the following comments about the affordability and sustainability of the initial rent:

- The current rent for the Portfolio represents a rent cover of 1.54 times EBITDAHR which we believe provides an acceptable level of cover when compared to other transactions in the Market. This conclusion is based on our knowledge of other transactions where the rent has been set in a similar manner (accepting that they are not directly comparable) and examples include the sale and leaseback transactions involving: Spirit Pubs, Travelodge Hotels, Ashbourne Care Homes and Center Parcs as well as funding structures set up in respect of the Yates, Laurel and Barracuda pub portfolio transactions. For comparison the recent Partnership in Care transaction, had an initial rent to EBITDAR of circa 73%, which compares to 70.4% adopted in this instance.

- We are of the opinion that the rent as a percentage of EBITDAHR in respect of the Portfolio is within the range expected for these types of property and it is within a range that we believe a tenant would be willing to pay.
- Due to the type of the properties it is considered that gearing the rent to the EBITDAHR of the Properties is a sensible and well-founded approach.
- GHG is considered to be one of the better operators within the Healthcare sector and we are of the opinion that the existing management have proven to be competent managers capable of sustaining the business. The position is further strengthened by the inclusion of the Netcare UK business and the experience Netcare bring based upon experience overseas.
- As the McKinsey analysis has not been undertaken at a property-by-property level we are unable to comment on the sustainability of rents at a property level. We would however comment that the Portfolio comprises the majority of the best assets including 8 Flagship hospitals and we are of the opinion that there is no reason why the overall growth forecasts for the group as a whole should not be broadly applicable to the properties in the Portfolio. McKinsey forecast that the growth in EBITDAHR will be at an annual growth rate in excess of the estimated growth in rental value indexation. Adopting the same percentage allocation as applied by KPMG when assessing the 2006 Run rate EBITDAHR, the Portfolio EBITDAHR is forecast to be circa £230.0 million by 2010. By 2010 the rent payable under the PropCo leases will have increased by annual indexation to circa £125.0 millions. On this basis the rent cover will be 1.84 times (rent will equal 54% of the forecast EBITDAHR).

5. VALUATION SUMMARY

5.1 **Market Value on the assumption that the Properties are available with vacant possession which is not as a result of a change in the trading potential or profitability of the properties Market Value.**

In accordance with the Bank's instructions, we have prepared a valuation assuming vacant possession of the Portfolio. As set out in the letter of instruction the assumption is that the Properties are vacant and that this is not as a result of a change in the trading potential or profitability of the Properties. In accordance with your instructions, we have assumed that the Properties are in individual PropCo's and therefore an OpCo structure could be implemented with minimal delay and cost. The purchaser on this basis is likely to be an operator or, as been evidenced by the current market activity, a venture capital fund.

There are two potential approaches to the vacant possession value. The first is to apportion the income streams EBITDA by risk profile and capitalise at different rates.

However, in these circumstances it is believed that any purchaser would adopt an alternative approach that reflects the ability of an operator to acquire the Portfolio on a vacant possession basis and sell the Properties on the basis of a sale and leaseback similar to the Transaction. The sale and leaseback could be structured with an affordable net rent payable of £113,000,000 per annum exclusive as detailed in the 'Analysis of Rent Affordability'. This element of the EBITDAHR has, as confirmed in this Report, been capitalised at 5.25%. We have adopted purchaser's costs of 4.75%, which includes 4% stamp duty.

The balance of the EBITDAHR, which equates to approximately £60,475,000, obviously has a value. In order to calculate the value of this element we have deducted head office costs of

£12,900,000 and a sustaining annual capex figure of £18,250,000 to arrive at a residual EBITDA after payment of rent under the OpCo/PropCo lease of approximately £29,325,000. We assess this value to be equivalent to a multiple of 5 times this amount equating to £146,622,000 gross of purchaser's costs which taken at 2.0% (reflecting a reduced stamp duty payment as this is effectively a transfer of a company) gives a net value for the residual EBITDA of £143,748,000. This therefore gives a Market Value on this assumption of £2,200,000,000.

The Value on this basis reflects a day one multiplier on the adjusted 2005 EBITDA, of 12.68 times.

We would comment that given the dominance of the market by a relatively small number of operators there have been instances of the Competition Commission investigating situations where acquisitions by major hospital groups present competition issues. This was evidenced by the Department of Trade and Industry blocking the proposed acquisition of Community Hospitals in December 2000 on competition grounds. As with any market where a few operators dominate an acquisition of a complete portfolio of assets by a current UK operator is likely to be considered on competition grounds. However, we are of the opinion that, as evidenced by the interest generated by the recent sale of GHG, there are a number of new entrants to the market, particularly from overseas who would be attracted to the Portfolio given its nationwide presence, quality of accommodation and market share. We are also of the opinion that such new entrants would also be interested in individual properties or smaller portfolios of assets.

It is also likely that incumbent operators would be able to purchase discrete parts of the portfolio.

5.2 Market Value of the Portfolio assuming that each of the Properties have been let to OpCo under 25 year leases drawn the terms described in this report

Guidance Note 3 of the Red Book states that the valuer must lot or group properties in the manner most likely to be adopted in the case of an actual sale. Therefore we have lotted together the properties that comprise the Portfolio. Were the Properties to be marketed individually the values achieved would be less than that reported below.

In valuing the Properties whilst regard was had to the yields achieved on other portfolio sale and leaseback transactions, greater emphasis was placed on the un-gearred internal rate of return ('IRR') generated.

In determining the Market Value, a 20-year cash flow was constructed which aggregated the rental income. For the purposes of calculating possible returns we have assumed the inflation rate over the cash flow period at 2.5% pa. In accordance with the lease we have assumed that the rent payable increases on an annual basis. An average initial yield of 5.25% was applied to the day 1 rental income stream and an exit yield of 6.5% was adopted to reflect the age of the assets and the term remaining on the lease. On this basis provided an un-gearred internal rate of return of 7.25%.

The IRR reflects several issues. Firstly, our understanding of the covenant and trading performance of OpCo, secondly the underlying quality of the properties and the fact that the majority of the properties in the Portfolio are held on a freehold basis. In addition, the Properties are well located and thus are likely to be attractive to alternative operators. Also the size and location of the Properties means that it is likely that viable alternative uses would be

found for the Properties in the event that their existing uses cease. The Properties also offer a purchaser a good opportunity of acquiring a portfolio of good quality private hospitals throughout the UK. Investors would be attracted by the underlying security the Properties offer and the positive outlook for the private healthcare market. In addition, the operator comprises a combination of the existing management who have successfully run the largest Private Hospital Group in the UK which has a proven track record and Netcare UK, which has invested a significant equity stake to acquire the business and brings with it considerable knowledge and expertise from its operations in South Africa.

5.3 Market Value of each of the Properties assuming that has been let to OpCo under 25 year leases drawn on the terms described in this report.

In addition to considering the value of the 36 Properties as a portfolio we have also been instructed to provide an opinion of the individual Market Values of the properties ignoring the benefit of being lotted as a portfolio. The valuation required is based upon the special assumption that the leases between PropCo and OpCo have been granted on the terms outlined in Section 4 of this report.

In determining rent, we have utilised the detailed analysis undertaken by KPMG. We have calculated the individual property rents using a rent cover of 1.53 times. We attach at Appendix E a schedule containing the apportioned rents.

Having established the rents for each property we have considered each asset in order to assess the capitalisation rate applicable. The important factors impacting upon the value of the Properties is the quality of the asset and the sustainability of the rent. These factors can vary considerably from asset to asset and, because there is no spreading of risk as is the case with the valuation of a portfolio, this can materially impact on the individual values. In assessing the values we have considered the quality of the asset in terms of type of buildings, its location, services offered, competition in its catchment and its attractiveness to other operators/tenants.

In order to assess the sustainability of the rent we have considered the historical trading information provided by GHG and have met with the management to discuss the forecast future growth forecasts. We would normally have expected to have been provided with an individual business plan which would show the management's view on future revenue growth, costs variations and forecast EBITDAHR. At the time of the valuation no such individual plans were available so the management have provided an opinion on where each property sits within defined ranges of future EBITDAHR growth. In the absence of individual business plans we have based our opinions of value on the discussions held with the management and on our experience within the sector. In order to assess rent sustainability we have also considered how Head Office costs and Sustaining Capex would be apportioned at a property level. At the date of valuation, no data has been made available in terms of proposed future Sustaining Capex spend at a property level but it has been available at a Group level, however, the level we have included reflects historic trends.

Based upon the analysis above we have adopted capitalisation rates ranging from 5.5% to 10% gross. We are of the opinion that the yields adopted are comparable to other transactions within the market and reflect the terms of the PropCo lease and the covenant strength of the operator.

The aggregate of the individual values of the Properties is £1,753,700,000 (One billion seven hundred and fifty three million seven hundred thousand pounds) after allowing for purchaser's costs of 5.75% (consisting of 4% stamp duty and 1.75% agents and legal fees). This figure is

less than the value of the Portfolio as a whole and the premium for lotting the Properties into a portfolio is circa 17.2%.

The portfolio premium exists due to the fact that as a Portfolio, an investor has a spread of risk across a wide geographical area and 36 different quality assets. The sustainability/affordability of rent payable is spread across the trading performance of a number of assets so reducing the impact of any under performance of individual properties. Across a portfolio, under performance in one location can often be offset by stronger trading elsewhere. In the case of individual properties the value has to reflect specific issues relating at an asset level and investor will require a return which reflects this risk. Transactions in the market of such sectors as Nursing Home portfolios and pub portfolios have illustrated that investors are prepared to pay a premium over and above the aggregate of the individual values of each property.

A Schedule of individual values and yields applied is attached..

5.4 Market Value based on the additional Special Assumption that the Properties are sold by way of a disposal of shares and therefore stamp duty payable is 0.5%

As instructed we have also prepared valuations on the same basis as set out in 12.1, 12.2 and 12.3 above adopting an additional special assumption that stamp duty of 0.5% is payable on the transaction. It is assumed that the Properties or the Portfolio will be disposed of by the sales of the shares in the company/companies which own the assets. It is assumed that there are no matters of an onerous nature, which would impact upon a third party purchaser of the shares.

6. VALUATIONS

6.1 Market Value of the Portfolio with vacant possession assuming the Properties are fully equipped operational trading entities and that such vacant possession is not as a result of changes in the trading potential or profitability of the Portfolio

We are of the opinion that the Market Value of the Portfolio as at 30 June 2006, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£2,200,000,000

(Two Billion Two Hundred Million Pounds)

In line with the valuation methodology adopted, the PropCo element has had purchaser's costs deducted of 4.75% (consisting of 4% stamp duty and 0.75% agents and legal fees). In respect of the OpCo element, 2% purchaser's costs have been adopted (consisting of 0.5% stamp duty and 1.5% agents and legal fees).

6.2 Market Value of the Portfolio assuming that each of the Properties have been let to OpCo under 25 year leases drawn on the terms described in Section 4

We are of the opinion that the Market Value of the Portfolio on the basis of the Special Assumption set out above, as at 30 June 2006, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£2,055,000,000

(Two Billion and Fifty Five Million Pounds)

We have adopted purchaser's costs of 4.75% across the Portfolio (consisting of 4% stamp duty and 0.75% agents and legal fees).

6.3 Market Value of each of the Properties assuming that they have been let to OpCo under 25 year leases drawn on the terms described in Section 4

We are of the opinion that the Aggregate Market Value of the properties on the basis of the Special Assumption set out above, as at 30 June 2006, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£1,753,700,000

(One Billion Seven Hundred and Fifty Three Million, Seven Hundred Thousand Pounds)

We attach at Appendix E a schedule of the individual Market Values for each property. We have adopted purchaser's costs of 5.75% for each property (consisting of 4% stamp duty and 1.75% agents and legal fees).

6.4 Market Value of the Portfolio with vacant possession assuming the Properties are fully equipped operational trading entities and that such vacant possession is not as a result of changes in the trading potential or profitability of the Portfolio and assuming only 0.5% Stamp Duty is payable

We are of the opinion that the Market Value of the Portfolio as at 30 June 2006 on the basis is of the Special assumptions set out above, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£2,270,000,000

(Two Billion Two Hundred and Seventy Million Pounds)

In line with the valuation methodology adopted, the PropCo element has had purchaser's costs deducted of 1.25% (consisting of 0.5% stamp duty and 0.75% agents and legal fees). In respect of the OpCo element, 2% purchaser's costs have been adopted (consisting of 0.5% stamp duty and 1.5% agents and legal fees).

6.5 Market Value of the Portfolio assuming that each of the Properties have been let to OpCo under 25 year leases drawn on the terms described in section 4 and assuming only 0.5% Stamp Duty is payable

We are of the opinion that the Market Value of the Portfolio on the basis of the Special Assumption set out above, as at 30 June 2006, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£2,125,000,000

(Two Billion and One Hundred and Twenty Five Million Pounds)

We have adopted purchaser's costs of 1.25% (consisting of 0.5% stamp duty and 0.75% agents and legal fees).

6.6 Market Value of each of the Properties assuming that they have been let to OpCo under 25 year lease drawn on the terms described in Section 4 above and that 0.5% Stamp Duty is payable

We are of the opinion that the Aggregate Market Value of the properties on the basis of the Special Assumption set out above, as at 30 June 2006, subject to the assumptions and comments in this Valuation Report and the Appendices, is: -

£1,813,300,000

(One Billion, Eight Hundred and Thirteen Million Three Hundred Thousand Pounds)

We attach a schedule of the individual Market values for each property. We have adopted purchaser's costs of 2.25% for each property (consisting of 0.5% stamp duty and 1.75% agents and legal fees).

7. CONFIDENTIALITY AND DISCLOSURE

The contents of this Valuation Report and appendices are confidential to the parties to whom they are addressed for the specific purpose of the Transaction and are for their use only. In respect of any syndicate banks which may become involved in the funding package at some future date who are not specifically identified by name no reliance may be placed on this Report and Appendices until such time as the identities of all such parties are notified to us in writing and it is further confirmed in writing that all such parties have seen the entirety of this Valuation Report and the letters of instruction.

Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions referred to herein.

For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited are referred to by name and whether or not the contents of our report are combined with others.

It is understood that the Bank intend to disclose this Report in connection with presentations to Rating Agencies and potential bond investors solely relating to the transaction. Whilst it is confirmed that such disclosure is permitted no reliance may be placed on this Valuation Report by these parties.

Yours faithfully

PAUL WOLFENDEN

CHARTERED SURVEYOR

DIRECTOR

FOR AND ON BEHALF OF DTZ Debenham Tie Leung

JONATHAN GOODE

CHARTERED SURVEYOR

DIRECTOR

FOR AND ON BEHALF OF DTZ Debenham Tie Leung

The table on the following pages sets out a description of the Properties in respect of which the Borrowers have entered into Leases with the Tenant. The information in the table below has been obtained from the Property Valuation Report and from information provided by the Propco Group.

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
1 BMI Albyn Hospital	21-24 Albyn Place, Aberdeen, Aberdeenshire, AB10 1RW	Aberdeen	The three original buildings of the Property front onto Albyn Road and are each of traditional block construction and date back to approximately the 19th century. Behind this is the main entrance for the Property which was built around 1960 and is on a single level. The extension is of block construction with a rendered finish and flat roof.	Aberdeen is the third largest city in Scotland and is situated approximately 202 kilometres (126 miles) north east of Edinburgh. Aberdeen city centre is located less than 1.6 kilometres (1 mile) from the Property. The Property is located on Albyn Road where nearby occupiers are predominantly office users with many solicitors, surveyors and accountancy firms nearby. There are also two schools, one being the local comprehensive and the other an all girls private school in the immediate vicinity.	ABN 87223 (Scottish)	44	FH	2,082,401	28,100,000	29,100,000	32,972,000	34,095,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
2 BMI The Alexandra Hospital	Mill Lane, Cheadle, Cheshire, SK8 2PX	Cheshire	The Property comprises a two storey purpose built detached building constructed in 1982 and extended in 1986. The external walls are of cavity construction with brick elevations. The main roof is flat. The building comprises a main rectangular block to the front with three separate wings to the rear. Situated to the rear of the main building is the Beaches, a single storey building of cavity brick elevations set beneath a hipped slate covered roof. We understand that the building is separately owned, albeit the land upon which it has been built forms part of the Alexandra Hospital. Accessed off Mill lane is Manor Lodge, comprising a Victorian two storey building of solid brick elevations set beneath pitched slate covered roofs. The ground floor is owner occupied and the upper two floors are let out to various consultants. At the end of Mill Lane is the Riverside Consulting Centre, a purpose built detached building, which we understand is tenanted by the hospital.	Cheadle is a major residential suburb of the Greater Manchester conurbation and lies approximately 11.26 kilometres (7 miles) south of Manchester city centre. The Alexandra Hospital is situated on the southern side of Mill Lane, which forms a small service road accessed off Manchester Road (B5095), situated on the edge of Cheadle town centre. The Property is located in the Cheadle Royal Conservation Area. Situated to the side of the main building is an MRI scanning centre.	GM808975, GM31452, GM457473, GM876339	170	FH	15,836,656	272,300,000	281,600,000	319,134,000	330,004,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006/ Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
3 BMI The Beardwood Hospital	New Preston Road, Blackburn, BB2 7AE	Blackburn with Darwen	The premises comprise a series of inter-connecting buildings originally dating from the late 1800s, having been extended in during the 1950s, 1970s, 1990s and 2000s. The building is set over part basement, part ground and first floor. The older buildings have traditional stone or rendered block work elevations set beneath multi pitched and hipped slate covered roofs. The modern extensions have cavity brick elevations set beneath part flat roofs and part pitched slate covered roofs. The windows are UPVC double glazed and timber framed single glazed.	The Property is situated within the residential suburb of Beardwood, approximately 2.41 kilometres (1.5 miles) north west of Blackburn town centre. The Property is situated on the west side of Preston New Road (A677), opposite its junction with Wycollar Road. The surrounding area is of mixed use; primarily residential to the east of Preston New Road (A677); largely rural to the west and northern perimeters; and Beardwood High School situated immediately to the south.	LA688213	31	FH	875,979	8,300,000	8,600,000	9,709,000	10,040,000
4 BMI The Beaumont Hospital	Old Hall Clough, Off Chorley Road, Bolton, Lancashire, BL6 4LA	Bolton	The Property comprises a two/three storey (plus basement) detached former Victorian residential building, which has been substantially extended during the early 1980s and in 1992. The original building is of traditional construction. External walls are of solid construction with elevations being of stone. The main roof is multi pitched and slate tile covered. The modern extension is also of traditional construction. External walls are of cavity construction with elevations being of stone. Ancillary roofs are flat with a felt and loose stone chip covering. Windows are a mix of UPVC double glazed units and timber framed double glazed and single glazed units.	The Property is located in Lostock, a small village situated approximately 8.04 kilometres (5 miles) west of Bolton city centre and 24.14 kilometres (15 miles) north west of Manchester city centre. Junction 5 of the M61 motorway is located approximately 3.21 kilometres (2 miles) south of Lostock. The Property is located in a primarily residential area made up of semi-detached and detached residential dwellings appearing to have been constructed over the last 40 years. Local amenities are limited, albeit Bolton city centre and Manchester city centre are easily accessible.	GM263612	34	LLH	1,131,106	12,600,000	13,000,000	14,749,000	15,251,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
5 BMI The Blackheath Hospital	40-42 Lee Terrace, Blackheath, London, SE3 9UD	Greater London	The Property consists of two separate 19th century buildings, which have been linked together to form BMI The Blackheath Hospital. We are advised that the hospital opened in September 1984. The eastern building is of a solid brick construction, with stucco front elevations beneath multi-pitched slate roofs. The Property is arranged over basement, ground and two upper floors, the second floor being a loft conversion. The building has a slated pitched roof. The western building is of a similar period and has white painted rendering and Victorian ornate features. This building is also arranged over basement, ground and two upper floors.	The Property is located in the London Borough of Lewisham, approximately 14.84 kilometres (9 miles) south east of central London. The Property is on Lee Terrace (B220), close to the junction with Lee Road. The immediate vicinity is predominantly affluent residential accommodation, although there are a number of schools in the immediate vicinity.	LN102896, LN71151	72	FH	4,013,328	63,300,000	65,400,000	74,135,000	76,660,000
6 BMI Chelsfield Park Hospital	Bucks Cross Rd, Chelsfield, Orpington, BR6 7RG	Greater London	The Property is a three storey former residential Grade II listed house, built on the site of an old rectory in the 1830's. The Property was used as a hotel before being converted into a private hospital in 1980. The original building is of an exposed brick cavity wall construction beneath a pitched slate roof. The substantial three-storey side extension is of brick and steel construction beneath a part flat felted and shingle mansard roof.	The Property is located in a rural area to the east of Chelsfield town centre, approximately 32 kilometres (20 miles) south east of central London and approximately 3.2 kilometres (2 miles) north west of Junction 4 of the M25 London Orbital Motorway. The immediate vicinity is predominantly open fields with Goddington Park and Chelsfield Lakes golf course located a short distance away. The Property is located in the Chelsfield Special Conservation Area.	SGL376481	50	FH	2,322,628	33,800,000	34,900,000	39,604,000	40,953,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
7 BMI The Chiltern Hospital	London Road, Great Missenden, Buckinghamshire, HP16 0EN	Buckinghamshire	The Property comprises three floors and was opened in 1982 having formerly been a monastery and a hotel. A 3 storey extension was erected in the 1980's. The extension is constructed from red brick, timber cladding and pitched tiled roofs. The monastery has painted rendered elevations with traditional tiled roofs.	The Property lies at the junction of the A413 and London Road, 1.6 kilometres (1 mile) south of Great Missenden. This is a rural location with no other properties in close proximity. Great Missenden is located in the Chiltern District in the county of Buckinghamshire, approximately 25 kilometres (45 miles) north west of London.	BM223635	66	FH	4,645,553	79,900,000	82,600,000	93,615,000	96,804,000
8 BMI The Clementine Churchill Hospital	Sudberry Hill, Harrow, HA1 3RX	Greater London	The Property comprises two connecting two storey buildings originally constructed in 1980 having been extended in 1986-7 and 2003. The Property is of framed construction with elevations being of brick and the main roofs are flat with asphalt coverings. A two storey former residential house (known as 'Farm Cottage'), which has been converted to provide ancillary office accommodation is approximately 100 metres from the main building. The elevations are of brick and the main roof is pitched and tile covered. A further two-storey building (known as 'Twin Willows'), which was previously used as a physiotherapy department but is now vacant is also located close by. The building is of brick construction, elevations are rendered and painted and the main roof is pitched and tile covered.	The Property lies between the towns of Harrow on the Hill to the North and Sudbury to the South, within the London Borough of Harrow, in a suburban development situated 19.0 kilometres (11.9 miles) north-west of Charing Cross. The nearest rail link to the Property is located 750 yards to the south, providing national rail services via Sudbury Hill Harrow station, and Underground services via Sudbury Hill station. The Property is located in an affluent suburban area, with surrounding properties including a secondary school, upmarket flats and individual residential dwellings.	NGL751879	141	FH	8,654,404	148,800,000	153,900,000	174,400,000	180,341,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
9 BMI The Droitwich Spa Hospital	St Andrew's Road, Droitwich Spa, Worcestershire, WR9 8DN	Worcestershire	The Property is cross-shaped with a north, south, east and west wing, all running off a central area. This is of brick construction under a pitched roof with rooflights incorporated. The Property is arranged over ground, first and part second floor (a loft). The main building was constructed in 1985 and was extended in 1992 and again in 2003. The Property is of steel frame construction on a re-inforced concrete raft foundation. Internal walls are stud partitions that have been plastered and painted. Ceilings are suspended with recessed fluorescent lighting and floors are covered with a mixture of carpets and linoleum.	Droitwich is one of the principal towns in Worcestershire, being located approximately 13 kilometres (8 miles) north of Worcester and 3.2 kilometres (2 miles) to the west of the M5. The Property occupies a town centre location. It is bounded to the west by Heritage road, to the south and east by St Andrews Road, and to the northeast by the tourist information centre. The immediate vicinity contains properties used for a variety of purposes including residential, retail and commercial uses.	HW104834	46	LLH	2,140,782	23,800,000	24,600,000	27,914,000	28,865,000
10 BMI The Esperence Hospital	1 Hartingdon Place, Eastbourne, East Sussex, BN21 3BG	East Sussex	The Property comprises two main buildings linked by a 1980s extension to the rear. The buildings are of traditional construction. External walls are of solid construction with elevations being rendered and painted. The roofs are either pitched and flat with a mixture of coverings. There is a decorative dome and crucifix on the main building with several statues on the external frontage; these are of architectural merit and associated with its previous convent use. The property has also been used as a nursing home before being converted to a private hospital in more recent times.	The Property is situated close to the centre of Eastbourne and is served by the A259 and A2021 which links north onto the A22; this provides links to London 111 kilometres (69 miles) and Gatwick airport 68 kilometres (42 miles). The hospital is conveniently located for the commercial centre of Eastbourne and a short walk from the sea front. The hospital is closely served by Eastbourne Station. The site fronts Devonshire Place and Trinity Trees, in a predominately residential area.	ESX129315	50	FH	618,817	7,800,000	8,100,000	9,145,000	9,457,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
11 BMI Fawkham Manor Hospital	Manor Lane, Fawkham, Longfield, Dartford, Kent, DA3 8ND	Kent	The original building is a Victorian former country residence of a brick and flint construction beneath multi pitched tiled roofs. The original building is arranged over basement, ground and first floors. To the side of the Property are two purpose built, two storey extensions, constructed in 1983 and 1987. The extensions are of a cavity brick wall construction beneath a pitched tiled roof. The extensions are currently being refurbished with Phase 1 being the refurbishment of the inpatient wards and Phase 2 being the refurbishment of the operating theatres.	The Property is located approximately 40 kilometres (25 miles) south east of central London and approximately 11 kilometres (7 miles) outside of the M25 London Orbital Motorway (Junctions 1 and 2). The Property is located in a remote rural area within a wooded former private estate. The immediate vicinity is predominantly agricultural with the Redlibbets Golf Course located within close proximity to the Property. The Property is accessed off Manor Lane via a private tarmacadam driveway. Brands Hatch is located 1.6 kilometres (1 mile) away.	K120851	32	FH	1,148,422	14,500,000	15,000,000	16,971,000	17,549,000
12 BMI Fernbrae Hospital	329 Perth Road, Dundee, DD2 1JL	Dundee	The premises comprise a two storey (plus attic) former residential building that was originally constructed during the early 20th Century, having been extended to the sides during the 1980's. The original building is of traditional construction. External walls are of solid construction with elevations being of stone. The main roof is pitched, incorporating dormer projections and slate tile coverings. The building was converted from a nursing home approximately 1 year ago. During the 1980's two storey extensions were erected either side of the main building. The extensions are of traditional construction. External walls are of cavity construction with elevations being of brick. The roofs are pitched and artificial slate tile covered.	Dundee is Scotland's fourth largest city and is situated on Scotland's east coast at the mouth of the River Tay. The Property is situated in Dundee's west end, one of Dundee's most desirable residential locations, approximately 3.2 kilometres (2 miles) from the A85, on Perth Road. Dundee city centre is easily accessible from Perth Road approximately 3.9 kilometres (2.4 miles) from the Property.	ANG 42744 (Scottish)	16	FH	306,016	3,400,000	3,500,000	3,990,000	4,126,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
13 BMI The Garden Hospital	46-50 Sunny Gardens Road & 2, 4 and 8 Rowlse Avenue, Hendon, London, NW4 1RX	Greater London	The Property comprises two separate buildings. The main building was built during the 1990's and refurbished in more recent times. The building is of traditional construction and arranged over lower ground, ground and two upper floors. External walls are of cavity construction with elevations being of brick. The main roof is pitched and tile covered. The outpatient department is contained within a pair of semi-detached houses, which were originally built in the 1950's and have since been extended to the rear at ground floor level. The houses are of traditional construction. External walls are of solid construction with elevations being of brick. The main roofs are pitched and tile covered. Ancillary roofs are flat.	The Property is located in Hendon, in the North London Borough of Barnet approximately 9.6 kilometres (6 miles) north of Central London. Hendon is a predominantly residential suburb served by a number of suburban commercial centres. The Property backs onto the M1, which can be accessed via junction 1 just over 1.6 kilometres (1 mile) to the south. The Property is located in a suburban area, with surrounding properties including a secondary school and predominately semi detached residential housing.	MX267564, MX241109, NGL656029, MX441120, MX471395, MX478043	30	FH	1,034,076	14,000,000	14,400,000	16,373,000	16,931,000
14 BMI Goring Hall Hospital	Bodium Avenue, Goring-by-Sea, Worthing, West Sussex, BN12 5AT	West Sussex	The Property is a former house built and occupied by the Bowes-Lyon family in c1889. Built in a Queen Ann Style red brick in Flemish bond; this a replica of the original building which occupied the site having burnt down in the 1840s. The Property was later converted to a school before Goring Hall Hospital opened in 1994 when the Compass West Sussex Clinic relocated from Worthing town centre. There is a two storey extension in which the main functions of the hospital are undertaken and is linked to the main building through a glazed walkway. The former stables have been converted for use as consulting rooms.	The Property is situated close to the A259 and to the west of Goring High Street. It is also closely served by the A2700, which provides access to the A27 to the north. Goring-by-sea is approximately 100 kilometres (60 miles) south of central London and approximately 65 kilometres (40 miles) from the M25. The Property is closely served by Goring-by-sea train station. The Property has two private rights of access, however only one is utilised on a daily basis. The hospital is set in substantial private grounds which are surrounded by residential and open space uses.	WSX16309	52	FH	1,734,399	24,300,000	25,100,000	28,479,000	29,449,000

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15 BMI The Highfield Hospital	Manchester Road, Rochdale, Greater Manchester, OL11 4LZ	Greater Manchester	The Property comprises four individual buildings set upon a regular shaped site with a central car park. The main building comprises a former Victorian dwelling set over two floors plus basement and attic, which has been substantially extended to the rear over part lower ground, ground and first floors at various periods over the last 35 years. The building is principally constructed with masonry elevations set beneath pitched, slate covered roofs. The windows are a mix of timber or UPVC framed double glazed units.	The Property is located in Rochdale, approximately 19 kilometres (12 miles) north east of Manchester. Rochdale is well served by the M62 motorway, which connects to the M60 Manchester orbital motorway network. The Property is situated approximately 0.80 kilometres (0.50 miles) south of Rochdale town centre in a predominantly residential area. The Property directly abuts Manchester Road (A58) which is predominantly fronted by residential dwellings and shops in the form of traditional terraced properties dating from the late 1800s/early 1900s. The main entrance to the Property is gained via Kemp Avenue, which forms a residential service road and is directly accessed off Manchester Road (A58).	GM525579, GM99573, GM569853, LA98872, LA191221, LA88900, LA103527, GM857959	57	FH	2,580,794	36,200,000	37,400,000	42,376,000	43,819,000
16 BMI London Independent Hospital	1 Beaumont Square, Stepney Green, London, E1 4NL	Greater London	The Property was purpose built as a hospital in 1986 and is arranged over ground and four upper floors. The Property is of a steel frame and block construction with brick rendering. We are advised that the flat roof was replaced in 1999 and benefits from a 25-year guarantee. The site does not provide any customer car parking, although there are places for 44 consultants in a secure car park to the rear of the hospital. Pay and Display parking is provided around Beaumont Square.	The Property is located in the London borough of Stepney, an eastern suburb of Greater London. Stepney lies to the East of the City of London and is characterised predominantly by low cost residential estates. The Property is located on Beaumont Square and has good public transport links, with Stepney Green Underground station, approximately 250 metres (0.15 miles) to the south and Whitechapel approximately 1 kilometre (0.62 miles) to the east.	EGL151550	80	FH	3,731,527	64,200,000	66,400,000	75,196,000	77,757,000

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17 BMI The Manor Hospital	Church End, Biddenham, Bedford, Bedfordshire, MK40 4AW	Bedfordshire	The Property consists of three main buildings: 'The Old Manor House', to which an extension has been added, 'The Barns', and an administrative block. The Old Manor House is arranged over ground and first floors and built of stone elevations under a pitched roof. Access is through a brick-built porch under a pitched roof. A bungalow extension has been added to the Old Manor House and this is accessed off a corridor from the front reception. The extension is of brick elevations under a pitched roof and has upvc double glazed windows and a conservatory. We understand the extension was opened in 1983. 'The Barns' is an old bungalow, of unknown date, with stone elevations under a pitched roof. An archway divides it into two and provides vehicular access to a car park behind the building. We understand that a detached house known as 'Foxgloves', which has a boundary with the Property was recently acquired by the hospital and currently provides accommodation for some members of staff.	Biddenham is located approximately 3.2 kilometres (2 miles) west of Bedford, and lies to the northeast of Milton Keynes and southwest of Northampton. The village is on the A428, which connects Bedford to Northampton. Junctions 13 and 14 of the M1 motorway are accessible, to the southwest. Bedford train station is within easy reach, from which there are regular train services to London Kings Cross. Land uses within immediate vicinity comprises predominantly residential houses. Bedfordshire Golf Club is located nearby and Biddenham village pond is situated to the rear of the Property.	BD152871, BD61945, BD104740,	23	FH	650,355	6,800,000	7,100,000	8,009,000	8,282,000
18 BMI Mount Alvernia Hospital	Harvey Rd, Guildford, Surrey. GU1 3LX	Surrey	The original part of the Property was built in the 1800s with further additions in 1933 and 1966. The Property is built over basement, ground, first, second, third, and fourth floor levels with an engineering plant room on the fifth floor. The building has brick elevations with double-glazing window beneath both a pitched tile and flat roofs. The Property also includes a building located across the road. The building is semi detached of brick construction and is utilised for offices.	Guildford is located off the A3, which leads from junction 10 of the M25. Guildford lies approximately 50.2 kilometres (31.2 miles) southwest of central London. Two main stations, Guildford Station and London Road, serve Guildford. Travel times vary from approximately 30 minutes to 1 hour. The Property is located on the fringe of Guildford Town Centre, lying south of the High Street, in a predominately residential area.	SY667620, SY683114, SY381480, SY734743	90	FH	4,161,830	60,500,000	62,600,000	70,965,000	73,382,000

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19 BMI Nuneaton Private Hospital	132 Coventry Road, Nuneaton, Warwickshire, CV10 7AD	Warwickshire	The Property comprises 'The Old House', which has been extended in more recent times and 'The Lodge'. The Old House' was originally a residential building, of unknown age with a pitched tiled roof over rendered brick elevations. It is on three floors and has a disabled ramp at the front. The extension was built approximately 10 years ago and is of brick elevations under a pitched tiled roof. It is an L-shaped building on two floors and is inter-linked with 'The Old House'. 'The Lodge' is of brick elevations under a pitched tiled roof with all the windows double-glazed.	Nuneaton lies in the centre of the Midlands, east of Birmingham and north of Coventry, approximately 6.4 kilometres (4 miles) from both the M6 and M69 motorways. The Property is located to the south of the town and lies on the east side of Coventry Road, between its junctions with Middlemarch Street and Donnithorne Avenue. This is a predominantly residential location although there are a number of industrial buildings close by.	WK44070, WK395152	24	FH	58,353	600,000	600,000	647,000	669,000
20 BMI The Paddocks Hospital	Aylesbury Road, Princes Risborough, Buckinghamshire, HP27 0JS	Buckinghamshire	The Property comprises a building known as the 'Old House' which has been extended to provide 'The Admin Block' and the 'Gwyn Edwards Wing'. The buildings are all inter-linked. 'The Old House' dates from the 1880s, and has a 1920s extension. It is built of bricks and is on ground, first and part second floors under a pitched tiled roof. It has a cellar. The 'Gwyn Edwards Wing' was built around 1979/80. It is U-shaped and is on ground and first floors, wrapping itself around 'The Old House'. We are advised that 'The Admin Block' was built around 1994. It is on ground and first floors and is of brick elevations under a pitched tiled roof, with a mixture of timber-framed double glazed windows and dormer windows.	Princes Risborough lies roughly midway between Aylesbury and High Wycombe on the A4010. Further south, this road joins junction 4 of the M40, which provides access onto the M25. The Property is situated 56 Kilometres (35 miles) southeast of London, whilst Oxford lies 40 kilometres (25 miles) to the west. The Paddocks Hospital is situated on the south side of the A4010 Aylesbury Road at the corner of its junction with Queens Road. Staff and visitor access to the Property is from Queens Road, with goods delivery coming directly off the A4010. The immediate vicinity comprises residential properties.	BM47579, BM217159, BM161696, BM289309	30	FH	242,698	2,600,000	2,600,000	2,989,000	3,091,000

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21 BMI The Priory Hospital	Priory Road, Edgbaston, West Midlands, B5 7UG	Birmingham	The Property comprises the main hospital building, the William Withering building, 'Priory Dene', 'Stanley House' and a building situated off-site known as 225A Bristol Road. The main hospital building, which we understand was constructed in 1982, is arranged over part ground, first and part second and third floors under brick elevations, with the third floor housing only plant and machinery. The William Withering building is a Grade II Listed building of brick construction under a pitched tiled roof. 'Priory Dene' consists of a detached building on ground and two upper floors and an adjacent bungalow. Both buildings are of brick construction under pitched roofs. We understand they date from the early 20th century. 'Stanley House' is a detached property, with additional outbuildings. 225A Bristol Road, is located a short distance from the main hospital. The building is arranged over ground and first floors. The building has brick elevations under a pitched roof with double glazed windows.	Edgbaston is located to the south of Birmingham city centre in a largely residential area characterised by low-density developments. Various notable educational and leisure facilities are situated in Edgbaston. These include The University of Birmingham, Edgbaston Park, Warwickshire Cricket Club, and Edgbaston Reservoir. The A38 Bristol Road provides road access from the city centre with the M5, M6 and M42 all within easy reach. The Property is on the south side of Priory Road, near its junction with the A38 Bristol Road. It is bounded to the west by a residential development and to the east by Edgbaston golf course. Bristol Road and Priory Road are major bus routes.	WM324639, WM763233	118	LLH	8,015,258	137,800,000	142,500	161,520,000	167,022,000

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22 BMI Ross Hall Hospital	221 Crookston Road, Glasgow, G52 3NQ	Glasgow	The premises comprise a three storey (plus basement) detached Grade B listed building, known as 'Ross Hall Hospital', which was originally built circa 1860 (as residential accommodation) and has since been the subject of substantial extension in 1960 and 1982. External walls are of solid construction with elevations being of traditional red sandstone brick. The main roof is pitched and slate covered. To the north of the main building there is a two storey 1960's extension. In 1982 a further extension was built. The extension is on approximately 10 metre stilts and arranged over two levels, being of framed construction with elevations being steel sheet and glass panel clad, providing two storey en-suite bedroom accommodation above.	Glasgow is the largest city in Scotland and is located on its west coast approximately 80 kilometres (50 miles) from Edinburgh. Ross Hall hospital is situated south of the River Clyde in Glasgow, approximately 11.2 kilometres (7 miles) from the city, via either the M8 motorway or the M77 motorway. The Property is located in a mainly residential location however approximately 3.2 kilometres (2 miles) east of the subject property lies Glasgow's largest industrial estate, Hillington Industrial Estate.	GLA 98782 (Scottish)	101	FH	7,713,992	126,900,000	131,200,000	148,691,000	153,756,000

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23 BMI Sarum Road Hospital	Sarum Road, Winchester, Hampshire, SO22 5HA	Hampshire	The Property is a converted Edwardian house, which has been the subject of additions since the 1980s. The Property is built over ground, first and second floor levels and has brick elevations with mainly double-glazing beneath a pitched tile roof. Internally the building has suspended ceilings and carpet and vinyl flooring. There are approximately 100 car spaces located to the front, side and rear of the building.	The Property is located on the outskirts of Winchester approximately 1.5 kilometres (0.9 miles) from Winchester town centre, accessed from junction 9 of the M3. Winchester lies approximately 109 kilometres (68 miles) southwest of London. The immediate area is characterised by substantial executive residential development to the south, large detached houses to the east and open countryside/agricultural land to the west and north. We understand a developer has obtained planning permission to develop a number of large properties to east of the Property on Chilbolton Road. The Property also adjoins a golf course and water reservoir.	HP444850	48	FH	1,714,639	24,900,000	25,800,000	29,237,000	30,233,000
24 BMI The Saxon Clinic	Chadwick Drive, Saxon Street, Eaglestone West, Milton Keynes, Buckinghamshire, MK6 5LS	Buckinghamshire	The Property was built in the mid 1980's and extended in 1988 and 1989. The building is arranged in a T shape. The Property is predominately one storey construction with brick cavity walls under a pitched concrete tile covered roof. The two-storey extension opened in June 1999 comprises en-suite bedrooms, an endoscopy suite at ground floor and 4 offices at first floor. There is a central courtyard in front of the reception with a decorative water feature, whilst beyond lies a tarmac surfaced car park.	Milton Keynes is located in the county of Buckinghamshire, midway between Oxford and Cambridge, approximately 72 kilometres (45 miles) north west of London. It lies on the south side of the M1 motorway within easy reach of Junctions 13 and 14. Milton Keynes is a purpose built new town with a resident population of 184,500. It has good rail links with an average journey time to London Euston of approximately 40 minutes. The Property is located in a Healthcare area, with surrounding properties including a nursery, nursing homes and a hospital.	BM165154, BM271015	40	FH	2,167,217	29,300,000	30,300,000	34,314,000	35,483,000

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25 Shirley Oaks Hospital	Poppy Lane, Shirley Oaks Village, Croydon, CR9 8AB	Greater London	The Property was purpose built as a hospital in 1986 and is arranged over ground and first floors. The Property is of a cavity wall construction with exposed brick elevations below part flat and part multi-pitch tiled roofs. The Property is surrounded by a well maintained lawn and flower beds bounded by a perimeter fence. An extensive tarmac parking area is situated to the front of the Property which we are advised is sufficient for the current use of the Property.	The Property is located in the London borough of Croydon, approximately 19 kilometres (12 miles) south of central London. The Property has good transport links via the A23 which runs south from central London, whilst the M25 is located approximately 17.7 kilometres (11 miles) east of the Property. The Property is located in a suburban area to the east of Croydon town centre. The local area is characterised predominantly by residential uses, with the Ashburton Park and playing fields located within close proximity. The Property is accessed off Poppy Road, which is an unadopted road and the owner of the Property is responsible for a share of its upkeep.	SGL275636	50	FH	2,688,001	37,700,000	38,900,000	44,137,000	45,640,000
26 BMI The Sloane Hospital	125 Albermarle Road, Beckenham, BR3 5HS	Greater London	The Property occupies three former residential dwellings that have been linked together to form the Sloane Hospital. We are advised that the Property was converted in 1971 from a nursing home into a hospital. The main building is Mock Tudor, with part exposed brick elevations and part white pebble dashed rendering below a pitched tiled roof. To the rear of the Property is a composite panel, permanent two storey port-a-cabin and a single storey theatre block. There is sufficient space on the site for further development to the rear of the Property.	The Property is located in the London Borough of Bromley approximately 22 kilometres (14 miles) inside the M25 London Orbital Motorway, south east of central London. The Property is located approximately 1.6 kilometres (1 mile) from Beckenham town centre on the north side of Albermarle Street, close to its junction with the A222.	SGL155484	32	FH	1,229,492	11,600,000	12,000,000	13,627,000	14,091,000

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27 BMI The Somerfield Hospital	66-67 London Road, Maidstone, Kent, ME16 0DU	Kent	The Property forms four semi-detached former residential terraced houses that have been linked together to form one hospital. The Property was originally built in the 1850's and subsequently used as officers quarters in the 1870's. The Property is arranged over basement, ground and two upper floors and is of a solid brick construction with exposed brick elevations beneath multi-pitched, slate roofs. The Property has various extensions to the rear, of either single or two stories. Additionally there are a number of single storey outbuildings providing ancillary stores and a disused TSSU facility.	The Property is centrally located in the town of Maidstone in northern Kent. Maidstone has good communication links, with central London located approximately 62 kilometres (39 miles) northwest of the Property via the M20. Folkestone is located approximately 62 kilometres (39 miles) to the southeast. The Property is located to the west of the A20 (London Road), which provides one of the main arterial routes into central Maidstone. The centre of Maidstone lies approximately 2.5 kilometres (1.5 miles) to the east of the Property. The surrounding area is predominantly residential with some mixed commercial uses, mainly offices.	K527884, K553971, K388340	48	FH	1,581,648	15,000,000	15,500,000	17,530,000	18,127,000
28 BMI Bath Clinic	Claverton Down Road, Combe Down, Bath, BA2 7BR	Bath and North East Somerset	The premises comprise an attractive double fronted three storey detached period building, known as 'Lockwood House'. The building is of traditional construction. External walls are of solid construction with elevations of Bath Stone. The main roof is pitched and tile covered. The building benefits from cast iron framed windows, ramped access provision and a central lift. During the 1980's a two storey detached building, known as 'The Glass Block', was constructed to the side of Lockwood House. The building is of framed construction with elevations of reflective covered glass panels. Lockwood House and The Glass Block have since been connected by a single storey annexe to the rear. The annexe is currently used as a management suite.	The Property is located in Combe Down, a suburb approximately 3.2 kilometres (2 miles) to the south east of Bath city centre, within close proximity of Bath University Campus. Transport links into and out of the city centre include Bath Spa mainline railway station, with frequent connections to London Paddington (1.5 hours). London is approximately 178.5 kilometres (111 miles) west of Bath along the M4 motorway. Claverton Down Road comprises predominantly residential accommodation, albeit this is a rural location and countryside surrounding the property has been classified as an 'Area Of Outstanding Natural Beauty'.	AV58193	75	FH	4,139,101	71,200,000	73,600,000	83,410,000	86,251,000

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29 BMI The Chaucer Hospital	Nackington Road, Canterbury, Kent, CT4 7AR	Kent	The Property is a modern purpose built independent hospital built in 1982. The front of the Property is arranged over ground and first floors with the rear wards being only single storey. The Property is of a cavity wall construction, with exposed red brick elevations below a multi-pitched tiled roof. Externally, the Property provides extensive lawns and parking areas. The Property has part carpeted and part vinyl floor coverings, suspended ceilings with plaster painted walls and fluorescent strip lighting.	The Property is located in the county of Kent, approximately 3.2 kilometres (2 miles) south of Canterbury city centre. Canterbury East mainline railway station is located approximately 3.2 kilometres (2 miles) to the north of the Property which provides a service into central London in approximately 1.5 hours. The Property is situated off the B2068 Nackington Road in a semi-rural area adjacent to Simon Langton School and a new housing development.	K523903	60	FH	2,648,972	38,500,000	39,900,000	45,169,000	46,708,000
30 BMI The Hampshire Clinic	Basing Road, Basingstoke, Hampshire, RG24 7AL	Hampshire	The original part of the Property was built in the early 1980s specifically as a hospital. In 2002 the Property was the subject of major extensions together with refurbishment and reconfiguration of the original structure. The Property is built over ground, first and second floor levels and has brick elevations with double-glazing beneath a mainly pitched tile roof. The Property currently has planning permission to extend the existing car park and construction work had commenced as at the date of the inspection. The Property also has planning permission for a new modular theatre to go on the side of the building. An application is currently lodged for a new MRI unit.	The Property is situated outside the town centre within the Old Basing area of Basingstoke, off the A339 Ringway. Basingstoke lies approximately 82.0 kilometres (51.4 miles) west of central London accessed from junction 6 of the M3. An executive housing estate is situated to the western boundary, Basing Road and the nearby River Loddon abut the southern boundary, the mainline railway line abuts the northern boundary and the eastern boundary is open countryside. The Property is in a predominately residential area.	HP434944	65	FH	3,682,750	51,600,000	53,400,000	60,470,000	62,530,000

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31 BMI The Park Hospital	Sherwood Lodge Drive, Burnstump Country Park, Arnold, Nottingham, Nottinghamshire, NG5 8RX	Nottinghamshire	The main building was extended in 1991 to provide an additional two-storeys. The buildings are of brick construction with a pitched concrete tiled roof. The Property has double glazed softwood framed windows. Also attached to the building is a large conservatory, which is currently utilised as a waiting room for the Assisted Conception Clinic. This building is joined to the extension via two separate glazed walkways. Linked to the main hospital building is a temporary Portakabin that is currently utilised as offices and stores. The physiotherapy unit is located away from the main hospital in a former residential property of brick construction under a pitched tiled roof. Likewise, the Business Office accommodation is also a former house of brick construction under a pitched clay tiled roof located away from the main hospital buildings.	The Property is located in Arnold, a suburb of Nottingham, approximately 9.6 kilometres (6 miles) north of Nottingham City Centre. Access from the M1 Motorway can be gained most directly from Junction 27. The Property is located in a country park to the north east of Nottingham city centre and is surrounded by mature woodland and recreation space. Nottinghamshire Police Headquarters are located adjacent to the hospital. The Property is located in the allocated Greenbelt and the area is designated as a matured landscaped area and protected open space.	NT127515, NT259142, NT335066, NT364043	93	FH	4,528,168	77,900,000	80,500,000	91,250,000	94,358,000

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32 BMI The Princess Margaret Hospital	Osborne Rd, Windsor, SL4 3SJ	Windsor and Maidenhead	The Property was converted from a hotel to hospital use in 1980. Since conversion the building has undergone extensions circa 1990 and 2000. The hospital is built over ground, first and second floor levels and has brick elevations with mainly double-glazing beneath a pitched tile and flat asphalt roof. The Group is currently looking for an alternative site to construct a new hospital within the Windsor area, as there is not enough space for expansion to meet current and perceived demand. The Property currently has planning permission to construct a new theatre and 10-bedroom extension. The cost has been estimated at £30m and this is seen as more of a fallback position if an alternative site is not found.	The Property is situated on the A308, to the north of Windsor town centre. Windsor is located approximately 32 kilometres (20 miles) west of central London, to the south of junction 6 of the M4 and approximately 11 kilometres (7 miles) from the M25. The Property occupies a prominent position with frontage to the A308 (Osborne Road). Windsor is served with two train stations: Windsor Central Station and Windsor and Eton. The Property is in a predominately residential area. Windsor Castle can be seen from the upper floor of the building.	BK273571, BK62658, BK32341, BK215289, BK60048, BK359112	80	FH	5,504,326	83,300,000	86,100,000	97,611,000	100,936,000
33 BMI The Ridgeway Hospital	Moormead Road, Wroughton, Swindon, Wiltshire, SN4 9DD	Swindon	The Property comprises a two storey detached building originally constructed in the early 1980's having been extended to the front and to the rear at ground floor level in more recent times. The building is of traditional construction. External walls are of cavity construction with elevations being of brick. The main roof is pitched and tile covered.	The Property is situated on the periphery of Wroughton in a rural location, approximately 8 kilometres (5 miles) from Junction 16 of the M4. Access into Swindon town centre is good, the railway station provides connections to London Paddington in 1 Hour. The Property has residential dwellings on two boundaries, whilst the other two border public pathways. The Property is on the boundary of the Wroughton Conservation Area.	WT107192	50	FH	2,433,879	32,900,000	34,000,000	38,537,000	39,850,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
34 BMI Winterbourne Hospital	Herringston Road, Dorchester, Dorset, DT1 2DR	Dorset	The premises comprise a two/three storey detached building, originally built during the early 1980's having been extended in more recent times. The Property is built on a sloping site and accordingly the differing levels have been built to accommodate the gradient; the front elevation appears to be single storey with one corner of the building to first floor level and the rear elevation benefits from a lower ground floor. The Chick Wing was added in 1989, a first floor fertility clinic in 1993 and new theatres at first floor level to the rear of the Property in 2005. The latest extension has created a quadrangle with the new theatre wing joining the existing wings of the Property.	The Property is located in a rural location less than 1.6 kilometres (1 mile) from Dorchester town centre. Two stations serve Dorchester, both of which are within 5 minutes from the Property. The journey time into London is around 2.5 hours. The Property is located at the end of a residential road overlooking allotments and adjoining a hospice. The A352 ring road is close by. The predominant land use within the vicinity is residential and rural countryside.	DT180276	38	LLH	1,916,190	25,900,000	26,800,000	30,340,000	31,373,000
35 BMI Thornbury Hospital	312 Fulwood Road, Sheffield, South Yorkshire, S10 3BR	Sheffield	The Property was originally the home of The Mappin Family and comprised of a two storey building of brick and stone construction under a pitched tiled roof. It was taken over by the NHS in 1947, and was subsequently purchased by BMI in the late 1980s, was extended, and opened in 1991. The building has a substantial three-storey side extension linked to the original house, constructed in a similar style as the original building. A further extension was opened in September 2001 that comprises five floors. A separate building houses the MRI scanner and was constructed in 2003 and comprises two floors. We have been advised that Fulwood Ward will be refurbished in August 2006 and that the reception area in the main house was refurbished in 2004.	The Property is located in the county of South Yorkshire, approximately 3.2 km (2 miles) south west from the centre of Sheffield. The Property is located off the A57 in an area of mixed uses including schools, nursing homes, private houses and office accommodation. The area is an affluent suburb of Sheffield and is also close to one of the student areas of Sheffield University and the main NHS hospitals in Sheffield.	SYK216793	77	FH	4,330,038	74,400,000	77,000,000	87,257,000	90,229,000

Hospital	Location/ Region/ Address	Council Area/Unitary Authority	Description	Location	Title Number	Nos of Beds	Tenure	2006 Apportioned Rent	Market Value	Market Value Special Assumption 0.5% Stamp	Apportioned Portfolio Investment Value with Portfolio Premium (4.75% costs)	Apportioned Portfolio Investment Value with Portfolio Premium (Special Assumption 0.5% stamp)
36 BMI Werndale Hospital	Bancyfelin, Carmarthen, Carmarthenshire, SA33 SNE	Carmarthenshire	The Property was firstly built as a hotel, which was subsequently transformed into a private hospital in the late 1990's. The Property is built on a sloping site and is a mixture of single and two-storey construction, dependant on the gradient. The Property is of traditional construction. External walls are of cavity construction with elevations being of brick. The main roofs are pitched and either slate or concrete tiled covered. At the time of our inspection the first floor was under refurbishment. To the rear of the Property is the administration area, kitchen facilities, staff canteen and sleeping area for staff.	Bancyfelin is situated in south west Wales approximately 11.4 kilometres (7.1 miles) from Carmarthen via the A40, and approximately 6.1 kilometres (3.8 miles) from St Clears. Bancyfelin is a small village, set in a rural location with good transport links to the busy market town of Carmarthen. The predominant surrounding land uses are residential and agricultural, with the nearest general hospital being at the western edge of Carmarthen town centre.	WA580548; WA532053	28	FH	736,203	9,000,000	9,300,000	10,529,000	10,888,000
											2,055,001,000	2,125,000,000

THE LEASES

The following is intended only to be a summary of certain provisions of the Leases and is qualified in its entirety by reference to the detailed provisions of the Leases.

Each of the Borrowers has granted a Lease of the whole of its respective Property to the Tenant. Each Lease is in the same terms (other than specific matters relating to the description of or title to the Property, the level of rent and, in the case of leases deriving from a superior lease, changes required to reflect the terms of the superior lease). Each Lease is in an FRI Lease. Further details of the principal provisions of the Leases are set out below.

Duration

The duration of each Lease is 25 years from the date of the Lease with no break options, except where reinstatement is frustrated (see further "*Insurance and reinstatement*" below).

The Tenant has the right at the end of the term of each Lease to seek a renewal lease for a period of a further 10 years. The renewal lease is to be on substantially the same terms and conditions as the Lease, except that there is no right to seek a further renewal at the end of the term and the rent payable under the renewal lease is an open market rent (see further "*Rent*" below).

Rent

The aggregate initial annual rent payable under the Leases as at the date of this Prospectus is £113 million (exclusive of value added tax, if any). Rent is payable in advance on 10 January, 10 April, 10 July, and 10 October in each year (five days prior to each Loan Interest Payment Date), subject to a ten business day grace period under the Leases. On the assignment of any Lease by the Tenant (other than an intragroup assignment to another member of the Tenant Group), it will be a condition of such assignment that the rent payment dates be changed to 1 January, 1 April, 1 July and 1 October in each year. The rent increases on the anniversary of the date of the Lease in every year by 2.5 per cent. compounded with yearly rests. There is no provision for the rent to reduce during the term of the Lease. If a Borrower's interest in a Property derives from a superior lease, an additional rent is payable by the tenant in an amount equal to the rent payable by that Borrower to its landlord under the terms of the superior lease. In the event of a renewal lease being granted the initial rent is to be the open market rent for the Property with a further review to open market rent at the end of the 5th year of the term of the renewal lease.

Permitted Use

The Tenant may only use the Properties for the following uses:

- (a) medium secure hospital, secure and non-secure psychiatric care, brain injury rehabilitation and community supported living, residential care home, independent hospital and/or hospital for people with learning difficulties and/or disabilities and ancillary uses including without limitation car parking offices accommodation for staff and others uses relating and ancillary to the foregoing; and
- (b) for such other uses as the relevant Borrower acting reasonably shall approve in writing provided that such uses shall only be permitted if such use does not adversely affect the reversionary value of the Borrower's interest in the Property at such time as the proposed change of use is to occur.

Under the Propco Facility Agreement, the Obligors are prevented from changing or taking any steps to change the current or permitted use of the Properties.

The Tenant is not permitted to close any part or the whole of the Property or permit it to remain vacant except for temporary closures necessary in order to carry out major repairs alterations or renovations or as a result of damage by insured risks or to comply with the requirements of a statutory authority.

Assignment

The Tenant may not assign part of a Property. Assignment of the whole of a Property is permitted with the relevant Borrower's consent (not to be unreasonably withheld or delayed). It is agreed that in certain circumstances it shall be reasonable for a Borrower to withhold consent to assign, in particular, where the proposed assignee is not (a) a Qualifying Assignee; or (b) where a Prohibited Circumstance applies.

On assignment, the outgoing tenant is required to give an authorised guarantee agreement and, where reasonably required by the relevant Borrower, the assignee can be asked to provide a guarantor.

"Prohibited Circumstances" means the following circumstances:

- (a) where in the relevant Borrower's reasonable opinion there is an outstanding material breach of any tenant covenant in this Lease
- (b) where the proposed assignee enjoys diplomatic or state immunity
- (c) where the proposed assignee is not resident in a jurisdiction where reciprocal enforcement of judgments exists.

"Qualifying Assignee" means an assignee:

- (a) whose financial strength (taking into account any guarantees and other security for the performance by the assignee of the tenant covenants under the relevant Lease (other than any authorised guarantee agreement as described in section 16, Landlord and Tenant (Covenants) Act 1995) is in the reasonable opinion of the relevant Borrower at least equivalent to the financial strength of the Tenant and any surety (taking into account the value of any other security for the performance of the tenant covenants of the relevant Lease by the Tenant) at:
 - (i) the date the relevant Lease was granted to the Tenant; or
 - (ii) the date of the application for licence to assign,whichever is the greater;
- (b) the assignment of the Lease to whom will not in the reasonable opinion of the relevant Borrower detrimentally affect the value of the relevant Borrower's reversion immediately expectant upon the determination of the relevant Lease; and
- (c) who in the reasonable opinion of the relevant Borrower has demonstrated that it or the group of which the assignee is a member is a company which is or is recognised within the hospital industry as a leading company or group in the management or operation of hospitals.

Underletting

The Tenant is not permitted to underlet the whole of a Property. The Tenant may, with the relevant Borrower's consent (not to be unreasonably withheld or delayed), underlet part(s) of a Property having a net internal area of not more than 5 per cent. of the total net internal area of the buildings on such Property (excluding common areas), subject to (a) providing, where reasonably required by the relevant Borrower, a guarantor for the undertenant; (b) the underlease being in a form substantially the same as the relevant Lease except that further subletting shall be prohibited (except that one further subletting shall be permitted in respect of an underlease of non clinical space); and (c) underlettings in aggregate not exceeding 60 per cent. of the total net internal area of the buildings on such Property. For Properties in England and Wales, underlettings of part must exclude the statutory security of tenure provisions (no statutory security of tenure applies to the Properties located in Scotland). All underlettings must be at the higher of open market rent and passing rent attributable to the part and be granted without a premium.

In addition, where the Tenant has entered into an agreement with a proposed undertenant to carry out scanning work, the Tenant may grant underleases of areas for the location and use of scanning equipment and/ or other special clinical or diagnostic service. Such underleases are to be for a term of no more than 7 years and demise an area of no more than 10 per cent. of the total floor area of the relevant Property, and otherwise be granted on the same terms as other underlettings.

Short term licences and Group sharing

The Tenant may grant short term licences to occupy for periods of up to 12 months to consultants working at the Property. Sharing occupation by the Tenant with group companies is permitted under the Leases.

Charging

The Tenant may charge the whole of its interest in a Property to a bank or similar financial institution with the prior written consent of the relevant Borrower (which is not to be unreasonably withheld or delayed). Charging of part is prohibited.

Alterations

The consent of the relevant Borrower (not to be unreasonably withheld) is required in respect of all structural alterations and additions to a Property that require planning consent.

The Tenant may make variations additions or alterations to the interior of a Property provided that: (a) details of the proposed works have been supplied to the relevant Borrower; (b) in the reasonable opinion of the relevant Borrower such works will have no adverse impact on the reversionary value of the Property; and (c) the Tenant demonstrates to the reasonable satisfaction of the relevant Borrower that when completed such variations additions or alterations will not adversely affect the structural integrity of the premises. If these conditions are not met the relevant Borrower's consent (not to be unreasonably withheld) will be required.

The relevant Borrower may require the Tenant to reinstate any alterations and additions which in the Borrower's reasonable opinion would have an adverse impact on the reversionary value of the Property.

Repair

The Tenant is obliged to keep each Property in good and substantial repair and condition and where necessary to rebuild reinstate or replace a Property and to keep unbuilt upon part of the Properties in good and clean condition. If a Borrower insures, damage by insured risks is excluded from the Tenant's repairing obligations (see further "*Insurance and Reinstatement*" below).

Insurance and reinstatement

The definition of "insured risks" is in standard terms for an FRI Lease and includes terrorism.

Whilst a Lease is vested in a member of the Tenant Group, the Tenant is required to insure the relevant Property with insurers in London having a minimum long term credit rating of A2 from Moody's, A from S&P and A from Fitch on such terms as shall be approved by the relevant Borrower and the Borrower's mortgagees. The Borrower Security Trustee is named as co-insured and loss payee with the relevant Borrower. Insurances must be maintained against the "insured risks", at least three years loss of rent and public liability cover.

The Tenant is required to reinstate if a Property is damaged by an insured risk. The Leases contain provisions for rent suspension during the reinstatement period provided the loss of rent insurance monies have been paid to the relevant Borrower. The relevant Borrower or the Tenant may terminate a Lease following expiry of the loss of rent period if reinstatement of the Property is impossible or impractical, subject to payment to the Borrower of the balance of all insurance monies.

Where the Tenant elects to terminate a Lease, the Tenant must in addition pay to the Borrower any shortfall between the Adjusted Allocated Loan Amount for the Property and the insurance monies received by the relevant Borrower.

A Borrower may not determine a Lease if at the expiry of the loss of rent period the Property has been substantially rebuilt and only minor works remain to be completed but may do so after the date three months after the expiry of the loss of rent period if the Property is not then capable of beneficial use and occupation.

Each Borrower is obliged to procure the payment to the Tenant of sums from insurance held by the Borrower or the Borrower Security Trustee as sole loss payee in respect of rebuilding reinstatement or replacement of a Property by the Tenant on receipt of appropriate certificates evidencing such sums.

If a Lease ceases to be vested in a member of the Tenant Group, each Borrower must insure against the same "insured risks". Each Borrower is required to expend insurance monies it receives (other than for loss of rent) in reinstating if a Property is destroyed by an insured risk (subject to receiving all necessary consents). If a Property is damaged by an insured risk and as a result is unfit for occupation, the rent is suspended until the earlier of expiry of the loss of rent period and the date when the Property is reinstated. A Borrower or the tenant may terminate a Lease if the Property is not reinstated by the expiry of a period of three years from the date of the damage or destruction and all insurance monies received shall belong to the Borrower and if terminated by the tenant the tenant shall pay to the Borrower a sum equal to the shortfall between the Adjusted Allocated Loan Amount for the Property and the insurance monies received by the Borrower.

"Adjusted Allocated Loan Amount" means if at the time the Lease is terminated:

- (a) the Loan to Value is more than 80 per cent. 115 per cent. of the Allocated Loan Amount;

- (b) the Loan to Value is less than or equal to 80 per cent. but more than 70 per cent., 110 per cent. of the Allocated Loan Amount; and
- (c) the Loan to Value is less than or equal to 70 per cent. 105 per cent. of the Allocated Loan Amount.

Forfeiture

Each Borrower has a right to forfeit (or, in the case of Properties located in Scotland, irritate) its Lease if:

- (a) the rents (or any of them or any part of them) under that Lease are outstanding for more than ten business days after becoming due whether formally demanded or not; or
- (b) there is a breach by the Tenant of any covenant or other term of that Lease or any document expressed to be supplemental to that Lease; or
- (c) the Tenant commits or permits an Act of Insolvency, including the appointment of an administrator to the Tenant,

each a "**Lease Termination Event**". Before exercising its right of re-entry the relevant Borrower is obliged to give written notice to any mortgagee of the tenant that has been notified to the relevant Borrower in writing.

"**Act of Insolvency**" means, in relation to a corporate body, that:

- (a) it is unable to pay its debts as defined in section 123 of the Insolvency Act 1986 (the "**Insolvency Act**");
- (b) a voluntary arrangement is made under Part I of the Insolvency Act;
- (c) an administration order is granted under Part II of the Insolvency Act;
- (d) a receiver and/or manager or administrative receiver is appointed whether under Part III of the Insolvency Act or otherwise;
- (e) it goes into liquidation as defined in section 247(2) of the Insolvency Act (other than a voluntary winding up solely for the purpose of amalgamation or reconstruction while solvent);
- (f) a provisional liquidator is appointed under section 135 of the Insolvency Act; or
- (g) a scheme of arrangement is made under section 425 of the Companies Act 1985.

THE PROPCO FACILITY AGREEMENT AND THE BORROWER SECURITY

The following is intended only to be a summary of certain provisions of the principal documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Finance Documents and the Intercreditor Agreements.

A list of defined terms used in this chapter is set out at the end of this chapter.

Propco Facility Agreement

Introduction

Pursuant to the terms of a facility agreement dated 6 October 2006 (the "**Loan Closing Date**") between, amongst others, the Sellers, the other Original Lenders, the Borrowers and the Holdcos (the "**Propco Facility Agreement**" (which expression includes such agreement as from time to time modified or supplemented in accordance with the provisions therein contained)), the Original Lenders provided a sterling term loan facility to the Borrowers (the "**Propco Facility**"). Under the Propco Facility Agreement, the Original Lenders made term loans available to the Borrowers in the total aggregate amount of £1,650,000,000 (the "**Propco Loans**"). As at the date of this Prospectus, the principal amount outstanding under the Propco Loans was £1,646,200,000.

The Propco Loans are fully drawn and the Lenders are under no obligation to make any further advances under the Propco Facility Agreement.

Bifurcation of the Propco Loans

Pursuant to an intercreditor agreement dated the Bifurcation Date between the Facility Agent, the Original Lenders (in their capacities as Senior Lenders, Junior A Lenders and Junior B Lenders) and the Borrower Security Trustee (the "**Intercreditor Agreement**"), the Original Lenders divided their participations in the Propco Loans into the "**Whole Senior Loans**" and the "**Junior Loans**". As at the Closing Date, the principal amount of the Junior Loans will be £686,775,757.58. The Junior Loans were subsequently syndicated to certain financial institutions. The holders of the Junior Loans, are the "**Junior Lenders**", and together with the Senior Lenders (which, from the Closing Date will be the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders), the "**Lenders**"). Pursuant to the Intercreditor Agreement, the Junior Lenders will comprise "**Junior A Lenders**" and "**Junior B Lenders**". With respect to the entitlement to interest payable under the Propco Loans, the Whole Senior Loans and the Junior Loans are treated as accruing interest at different rates (respectively, the "**Senior Rate**" and the "**Junior Rates**") reflective of the respective claims of the Senior Lenders and the Junior Lenders as to payments, priorities and enforcement in respect of the Whole Senior Loans and the Junior Loans. The Intercreditor Agreement sets out, among other things, the respective claims of the Senior Lenders and the Junior Lenders to interest and principal payments received under and in accordance with the terms of the Propco Facility Agreement and the other Finance Documents, the Borrower Security and the enforcement thereof as well as the rights of the Senior Lenders and the Junior Lenders as between themselves to instruct the Facility Agent and the Borrower Security Trustee to give consents or grant waivers under the Finance Documents. See "*The Propco Facility Agreement and the Borrower Security - Intercreditor Arrangements*".

Pursuant to a further intercreditor agreement dated the Bifurcation Date between the Senior Lenders and the Facility Agent (the "**Minority Senior Lender Intercreditor Agreement**" and, together with the Intercreditor Agreement, the "**Intercreditor Agreements**"), the Senior Lenders divided their participations in the Whole Senior Loans into a minority portion (the "**Senior Loan Minority Portion**") and a majority portion. Following the Bifurcation Date, the Senior Loan Minority Portion was

transferred to certain other financial institutions, each of whom is, in its capacity as holder of a portion of the Senior Loan Minority Portion, a "**Minority Senior Lender**" and together, the "**Minority Senior Lenders**". The Minority Senior Lenders are Senior Lenders under the Propco Facility Agreement and the Intercreditor Agreement. As at the Closing Date, the principal amount of the Senior Loan Minority Portion will be £299,424,242.42 and will constitute 31.21 per cent. of the Whole Senior Loans.

On the Closing Date, immediately prior to the execution of the Loan Sale Documents, the Sellers, each in their capacity as a Senior Lender, will be the legal and beneficial owners of participations in the majority portion of the Whole Senior Loans in a principal amount equal to £396 million (Barclays Bank PLC will also be the legal and beneficial owner of participations in the majority portion of the Whole Senior Loans in a principal amount equal to £264,000,000 which it will transfer to Theatre (Hospitals) No. 2 as described below). On the Closing Date, the Issuer will apply the Note Proceeds to acquire such participations (the "**Senior Loans**") from the Sellers pursuant to the Loan Sale Documents (see "*Summary of the Issuer Transaction Documents - Loan Sale Documents*" below). As at the Closing Date, the Senior Loans will constitute 41.27 per cent. of the Whole Senior Loans.

On the Closing Date, Barclays Bank PLC, in its capacity as a Senior Lender, will transfer its participations in the majority portion of the Whole Senior Loans (other than those transferred to the Issuer as described above) to Theatre (Hospitals) No. 2, a special purpose vehicle who will acquire such participations (together, constituting the "**Theatre (Hospitals) No. 2 Portion**") using the proceeds it will receive from the issue of the Theatre (Hospitals) No. 2 Notes under the Theatre (Hospitals) No. 2 Securitisation. Theatre (Hospitals) No. 2 will be a Senior Lender under the Propco Facility Agreement and the Intercreditor Agreement. As at the Closing Date, the Theatre (Hospitals) No. 2 Portion will be £264 million and will constitute 27.52 per cent. of the Whole Senior Loans.

The description of the provisions of the Propco Facility Agreement in relation to the Propco Loans should be read in conjunction with "*Intercreditor Arrangements*" below.

Conditions Precedent

The obligations of the Sellers and the other Original Lenders to the Obligors to make the Propco Loans were subject to the Facility Agent first having received, in the usual manner, certain documents as conditions precedent to funding in form and substance satisfactory to it.

Purpose of the Propco Loans

Pursuant to the terms of the Propco Facility Agreement, the Propco Loans could only be used by each Borrower jointly and severally under the Propco Facility in or towards financing (or refinancing) the acquisition of its Property and the payment of interest, fees and other finance costs payable pursuant to the Propco Facility Agreement or incurred in relation to the acquisition of the Properties by the Borrowers.

The Sellers were not bound to monitor or verify the application of any amount borrowed pursuant to the Propco Facility Agreement.

Guarantee

Each Borrower's performance of its obligations under the Propco Facility Agreement is guaranteed by its Holdco, each other Borrower and the immediate Holdco of each other Borrower (the "**Guarantors**").

Interest

Interest on the Propco Loans accrues quarterly in arrear in sterling by reference to successive interest periods (each a "**Loan Interest Period**") determined in accordance with the Propco Facility Agreement, and the relevant Borrower will make payments of interest then due and payable under the Propco Facility Agreement on 15 January, 15 April, 15 July and 15 October in each year, provided that, if any such day is not a Loan Business Day, the date for such payments shall be the immediately succeeding Loan Business Day (each such date a "**Loan Interest Payment Date** "). The first Loan Interest Payment Date fell in October 2006.

The rate of interest on each Propco Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable margin, LIBOR and mandatory costs, if any.

However, pursuant to the terms of the Intercreditor Agreement, the Senior Lenders and the Junior Lenders have agreed respective rates of interest on the Senior Loans and the Junior Loans (the "**Senior Rate**", the "**Junior A Rate**" and the "**Junior B Rate**" (together with the Junior A Rate, the "**Junior Rates**") respectively) (see "*Intercreditor Arrangements*" below).

Default interest will be payable under the terms of the Propco Facility Agreement where any Obligor fails to pay an amount when due ("**Default Interest**") at a rate equal to one per cent. per annum above the contracted rate of interest on the Propco Loans.

Final Maturity

Each Borrower must repay its Propco Loan in full on the Loan Final Maturity Date.

Scheduled Amortisation of the Propco Loans

The Borrowers must repay the Propco Loans on each Loan Interest Payment Date commencing from January 2007 in the aggregate amount set out below (each, a "**Repayment Installment**") (see "*Propco Facility Cashflows - Rental Income Account*" below):

Loan Interest Payment Date falling in	Repayment Instalment (£)
January 2007	1,900,000
April 2007	1,900,000
July 2007	1,900,000
October 2007	1,900,000
January 2008	2,750,000
April 2008	2,750,000
July 2008	2,750,000
October 2008	2,750,000
January 2009	3,250,000
April 2009	3,250,000
July 2009	3,250,000
October 2009	3,250,000
January 2010	4,250,000
April 2010	4,250,000
July 2010	4,250,000
October 2010	4,250,000
January 2011	5,000,000

Loan Interest Payment Date falling in	Repayment Instalment (£)
April 2011	5,000,000
July 2011	5,000,000
October 2011	5,000,000
January 2012	6,250,000
April 2012	6,250,000
July 2012	6,250,000
October 2012	6,250,000
January 2013	7,000,000
April 2013	7,000,000
July 2013	7,000,000
October 2013	7,000,000

Prepayment and Cancellation

(A) *Illegality*

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations under the Propco Facility Agreement or to fund or maintain its participation in any Propco Loan, its commitment to lend shall immediately on notification by the Facility Agent to the Borrowers be cancelled.

This will trigger a prepayment by each Borrower under the Propco Facility Agreement of that Lender's participation in the Propco Loans on the last day of the Loan Interest Period for each Propco Loan occurring after the Facility Agent has notified the Borrowers or, if earlier, the date specified by the relevant Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

(B) *Voluntary Prepayment of Propco Loans*

A Borrower may, upon giving not less than three Loan Business Days' prior notice to the Facility Agent (or such shorter period as the Majority Lenders may agree), prepay the whole or any part of any Propco Loan (but, if in part, being an amount that reduces the amount of that Propco Loan by a minimum amount of £1,000,000).

(C) *Mandatory Prepayments*

(i) *Change of Control*

The Propco Facility will be cancelled and all outstanding Propco Loans, together with accrued but unpaid interest, and all other amounts accrued under the Finance Documents, shall become immediately due and payable upon the occurrence of:

- (a) a change of control at the level of Netcare Healthcare Holdings Limited, Apex Partners Worldwide LLP, Brockton Capital LLP and London & Regional Properties Limited (the "**Initial Investors**") such that they or any of their affiliates or any funds managed or advised by the Initial Investors cease to hold (either directly or indirectly) more than 50 per cent. of the issued share or membership capital of the Parent; or

- (b) a flotation of any member of the Propco Group or holding company of any member of the Propco Group, such that any person or group of persons acting in concert (other than the Initial Investors or their affiliates or managed funds) control more than 30 per cent. of the issued share capital of the Parent; or
- (c) the sale of all or substantially all of the assets of the Propco Group whether in a single transaction or a series of related transactions.

(ii) *Disposals*

The Parent and each Obligor must ensure that on each Loan Interest Payment Date the aggregate Release Amounts of the Properties or shares in an Obligor disposed of during the immediately preceding Loan Interest Period are applied towards prepayment of the Propco Loans. See "*Propco Facility Cashflows - Disposal Proceeds Account*" below.

If any part or interest of a Borrower in a Property is compulsorily purchased or is otherwise nationalised or otherwise expropriated, the relevant Borrower must promptly upon the earlier of becoming aware or the Facility Agent giving notice of such event, prepay any relevant Propco Loan in amount which is equal to the Release Amount relating to the affected Property.

If a Property is destroyed or otherwise damaged to a material extent and the Facility Agent determines (acting reasonably) that such destruction or material damage is not insured for full reinstatement value or which may result in the termination of any Lease or in any abatement of rent under any Lease which abatement is not insured for a period of at least three years the relevant Borrower must prepay its Propco Loan in amount which is equal to the Release Amount relating to the affected Property (such proceeds being "**Material Damage Proceeds**").

(iii) *Insurance, Acquisition Proceeds and Surplus Cashflow*

The Borrowers must apply (a) Acquisition Proceeds; (b) Insurance Proceeds and (c) an amount equal to Surplus Cashflow for any Loan Interest Period in prepayment of the Propco Loans at the following times:

- (a) in respect of Acquisition Proceeds and Insurance Proceeds, promptly upon receipt of such proceeds (or, if the Obligor's Agent has elected to make such prepayment on the last day of the relevant Loan Interest Period, on such Loan Interest Payment Date); and
- (b) in respect of Surplus Cashflow, on the next Loan Interest Payment Date.

The Borrowers must also apply any Excluded Insurance Proceeds and Excluded Acquisition Proceeds which have not been applied towards the replacement, reinstatement or repair or business interruption costs or loss of profits within a certain period, in prepayment of the Propco Loans.

(iv) *Tenant Incurrence Test*

If the ratio of Tenant Group Adjusted Total Consolidated Debt (excluding any financial indebtedness arising under the Propco Facility) to Consolidated EBITDAR is in excess of 6.5 as a result of financial indebtedness being incurred by the Tenant Group (excluding any financial indebtedness arising as a result of amounts payable under the Leases) (the "**Tenant Incurrence Test**"), the Facility Agent may, and shall on the instructions of the Majority Lenders, declare that all of the Propco Loans be payable on demand, whereupon the Borrowers shall immediately prepay the Propco Loans together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents on the later of

thirty days after the Facility Agent has made such a demand and the next occurring Loan Interest Payment Date.

(D) *Prepayment Fees*

Upon any prepayment of any Propco Loan, the relevant Borrower must pay to the Facility Agent a prepayment fee in the amount and at the times agreed in a fee letter dated on or about the Loan Closing Date (any such prepayment fees, the "**Prepayment Fees**"). The Prepayment Fees relating to the Junior Loans and the Senior Loans respectively will be applied by the Facility Agent in accordance with the Intercreditor Agreements (see "*Intercreditor Arrangements - Intercreditor Agreement - Prepayments*" below).

(E) *Prepayments generally*

Any prepayment under the Propco Facility Agreement must be made together with (i) accrued interest (including the margin (calculated in accordance with the margin letter relating to the Propco Facility Agreement) and mandatory costs) on the amount prepaid up to the end of the Loan Interest Period (in the case of prepayments attributable to the Senior Loans) and up to the date of prepayment (in the case of prepayments attributable to the Junior Loans), (ii) any applicable break costs in the case of prepayments attributable to the Junior Loans; and (iii) all amounts due to the Hedge Counterparties under the Finance Documents.

With respect to paragraph (i) above, interest will accrue on any amount prepaid at the Senior Rate and the Junior Rate respectively up to the date of such prepayment. With respect to prepayments attributable to the Senior Loans, interest will accrue from the date of such prepayment to the end of the Loan Interest Period at a rate of interest calculated on the basis of a margin of 0.90 per cent. per annum.

The principal amount prepaid and the amounts referred to in paragraphs (i) to (iii) above must be paid by the relevant Borrowers to the Facility Agent on the date of any prepayment. In so far as the principal amount prepaid is attributable to the Junior Loans, the Facility Agent shall pay such amount together with the amounts relating to the prepayment of such Junior Loans referred to in paragraphs (i) to (iii) above to the Junior Lenders in accordance with the Intercreditor Agreement. In so far as the principal amount prepaid is attributable to the Senior Loans, the Facility Agent shall pay such amount together with the amounts relating to the prepayment of such Senior Loans referred to in paragraphs (i) and (iii) above to an interest bearing deposit account in its name (the "**Prepayments Account**"). The Facility Agent must apply monies standing to the credit of the Prepayments Account on each Loan Interest Payment Date in accordance with the terms of the Intercreditor Agreements (see "*Intercreditor Arrangements - Intercreditor Agreement- Prepayments*" below).

Propco Facility Cashflow

Control Accounts

Pursuant to the Propco Facility Agreement, the following accounts (the "**Control Accounts**") have been opened in the name of the Borrower Account Holder and are maintained with a designated branch of Barclays Bank PLC (the "**Borrower Account Bank**"):

- (a) a current account designated the "**Deposit Account**";
- (b) a current account designated the "**Disposal Proceeds Account**";
- (c) a current account designated the "**General Account**";

- (d) a current account designated the "**Holding Account**";
- (e) a current account designated the "**Mandatory Prepayment Account**";
- (f) a current account designated the "**Rental Income Account**";
- (g) a current account designated the "**Service Charge Account**"; and
- (h) a current account designated the "**Tax Reserve Account**."

The Facility Agent has sole signing rights on the Disposal Proceeds Account, the Rental Income Account, the Deposit Account, the Holding Account, the Mandatory Repayment Account and the Tax Reserve Account and if an Event of Default is continuing, the Service Charge Account. The Borrower Account Holder has sole signing rights on the General Account unless the Facility Agent gives notice to accelerate the Propco Loans pursuant to the terms of the Propco Facility Agreement.

If a Loan Event of Default is continuing or would occur as a result of a withdrawal, no withdrawal may be made by any Borrower or the Borrower Account Holder from a Control Account without the prior consent of the Facility Agent or if such withdrawal is for the purposes of paying the secured obligations in accordance with the Propco Facility Agreement.

On the Loan Final Maturity Date or upon any part of the Propco Loans becoming immediately due and payable in accordance with the terms of the Propco Facility Agreement, the monies standing to the credit of each Control Account may be applied by the Facility Agent in or towards payment of the secured obligations under the Propco Facility Agreement.

If the Facility Agent requires, the Account Holder must ensure that the Borrower Account Bank shall within 30 days be changed to such other financial institution with a short-term credit rating of at least A-1+ from S&P, P-1 (short-term) from Moody's and F-1+ (short term) from Fitch or which is otherwise approved in writing by the Facility Agent.

Payments into Control Accounts

Each Obligor and the Parent must ensure that:

- (a) all of its Net Disposal Proceeds are promptly paid into the Disposal Proceeds Account;
- (b) all of its Net Rental Income and any amount paid by an occupational tenant of any Property on account of ground rent under any Lease out of which that Borrower derives its interest in that Property, all amounts payable to it under any Hedge Agreement and any dividend payments payable in accordance with the Propco Facility Agreement to Topco are promptly paid into the Rental Income Account;
- (c) all amounts payable by or on behalf of a Borrower in accordance with the cure rights provisions of the Propco Facility Agreement (see "*Financial Covenants - Cure Rights*") are deposited in the Deposit Account;
- (d) all Excluded Insurance Proceeds and Excluded Acquisition Proceeds are deposited in the Holding Account;
- (e) all Acquisition Proceeds and Insurance Proceeds are paid into the Mandatory Prepayment Account;
- (f) all Service Charge Proceeds are paid into the Service Charge Account; and

- (g) on each Loan Interest Payment Date, an amount equal to the forecast aggregate tax liabilities of the Obligors for the term of the Propco Facility Agreement to the extent available on that date after the application of amounts deposited into the Rental Income Account that are to be applied in priority to the forecast aggregate tax liabilities in accordance with the payments waterfall described in "*Rental Income Account*" below (less any amount then already standing to the credit of the Tax Reserve Account and excluding any tax the funding for which has been otherwise explicitly provided for in the Propco Facility Agreement or in the Tax Deed) is promptly paid into the Tax Reserve Account. The Propco Facility Agreement also contains a provision under which, if there is from time to time any reduction in the said forecast aggregate tax liabilities of the Obligors, any corresponding surplus amount will be released from the Tax Reserve Account to the Mandatory Prepayment Account.

The Obligors may pay any amount not required to be paid into any other Control Account into the General Account.

Disposals Regime - Disposal Proceeds Account

A Borrower must not dispose of a Property, a Holdco must not dispose of its shares in a Borrower and the Parent must not dispose of its shares in any Holdco unless, and in each case (A) an amount equal to the aggregate of (i) the Release Amount for such Property; (ii) accrued interest (including the margin) up to the next Loan Interest Payment Date on an amount of the Propco Loan equal to the Release Amount to be prepaid and (iii) the Prior Ranking Disposal Costs, is deposited into the Disposal Proceeds Account; and (B) if any taxes will or may be incurred or payable as a result of such disposal, an amount equal to such taxes is deposited into the Tax Reserve Account. The relevant Borrower must also confirm that there will be sufficient Disposal Proceeds to discharge any other third party costs incurred as a result of the disposal.

The "**Release Amount**" with respect to a disposal of a Property or the shares in a Borrower or a Holdco means an amount equal to:

- (a) if the Loan to Value is more than 80 per cent., 115 per cent of the Allocated Loan Amount;
- (b) if the Loan to Value is less than or equal to 80 per cent. and more than 70 per cent., 110 per cent. of the Allocated Loan Amount; and
- (c) if the Loan to Value is less than or equal to 70 per cent., 105 per cent. of the Allocated Loan Amount.

On each Loan Interest Payment Date and the Loan Final Maturity Date, the Facility Agent must withdraw amounts standing to the credit of the Disposal Proceeds Account for application towards repayment of the Propco Loans (such repayment to be in an amount equal to the aggregate Release Amounts of the Properties disposed of) after payment of (i) all amounts payable to the Hedge Counterparties (including as a result of the termination or closing out of the Hedge Agreements); (ii) Prepayment Fees and (iii) break costs and other fees, costs and expenses due to the Lenders (the aggregate of the amounts in (i) to (iii), the "**Prior Ranking Disposal Costs**").

Rental Income Account

On each Loan Interest Payment Date prior to the acceleration of the Propco Loans, the Facility Agent must apply the amounts standing to the credit of the Rental Income Account in the following order:

- (a) *first*, towards payment of any unpaid ground rent under any lease out of which a Borrower derives its interest in a Property;

- (b) *second*, towards payment of any unpaid fees, costs and expenses of any Finance Party and, up to a maximum aggregate amount of £300,000 per quarter, any Permitted Expenditure;
- (c) *third*, towards payment of all amounts due to the Hedge Counterparties;
- (d) *fourth*, towards payment of all accrued interest, costs and expenses of the Lenders
- (e) *fifth*, toward repayment of the Repayment Instalment;
- (f) *sixth*, payment of an amount equal to the forecast aggregate tax liabilities of the Obligors for the term of the Propco Facility Agreement (less any amount then already standing to the credit of the Tax Reserve Account and excluding any tax the funding for which has been otherwise explicitly provided for in the Propco Facility Agreement or in the Tax Deed) into the Tax Reserve Account;
- (g) *seventh*, towards repayment or prepayment of the Propco Loans to the extent then due and payable (and the Facility Agent shall apply such amounts in accordance with the terms of the Intercreditor Agreements (see "*Intercreditor Arrangements*" below)); and
- (h) *eighth*, any surplus (the "**Surplus Cash Flow**") to the Mandatory Prepayment Account.

Following a notice to accelerate the Propco Facility, the Facility Agent must apply amounts in accordance with a post-acceleration waterfall (see "*Intercreditor Arrangements - Post-Enforcement Application of Funds*").

Deposit Account

If at any time the Borrowers are in breach of the Loan to Value Test or the Interest Cover Test and such breach has not been remedied for four consecutive calendar quarters in accordance with the Propco Facility Agreement, the Facility Agent may withdraw any funds standing to the credit of the Deposit Account and apply them towards prepayment of the whole or any part of the Propco Loans.

In the event any amounts are deposited by or on behalf of a Borrower into the Deposit Account to cure a breach of the Loan to Value Test, the Facility Agent will withdraw such amounts to be paid into its General Account provided that the Borrowers have been in compliance with the Loan to Value Test for two consecutive Loan Interest Periods.

In the event that any amounts are deposited by or on behalf of a Borrower into the Deposit Account to cure a breach of the Interest Cover Test, the Facility Agent will withdraw such amounts to be paid into its General Account on the next Loan Interest Payment Date provided that no default is continuing and no breach of the Interest Cover Test will arise as a result of the release of such amounts.

Representations and Warranties

The Propco Facility Agreement contains various representations and warranties made to each Finance Party by each Obligor (including, without limitation, in relation to certain corporate matters, its business, its financial statements, its environmental compliance, its insurance cover, the absence of a Loan Event of Default and its ownership of the relevant Property (if applicable)) and, in certain cases, the Parent.

Certain of the representations will be repeated by reference to the facts and circumstances then existing on the first day of each Interest Period.

A Loan Event of Default will occur if a representation made by any Obligor or the Parent is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the failure to comply is capable of remedy and is remedied within 20 Loan Business Days of the Facility Agent giving notice to the Obligor's Agent or the Obligor or the Parent becoming aware of the matter.

Undertakings

General

Each Obligor gives various undertakings in the Propco Facility Agreement, both generally (including customary covenants, such as a negative pledge, restrictions on business, restrictions on the incurrence of financial indebtedness, compliance with laws, transactions on an arms length basis, no mergers) and, more specifically, in relation to the delivery of information, financial ratios and the Properties. These undertakings include, without limitation, those set out below. Certain of the undertakings are subject to customary caveats such as material adverse effect and other materiality thresholds.

The undertakings will remain in force for so long as any amount is outstanding under the Finance Documents or any commitment of a Lender to lend is in force.

Financial Covenants

- (i) **Loan to Value:** If, and only if, the Rent Cover Ratio is less than 1.40 on or after 15 April 2008 (the "**First Rent Cover Test Date**"), each Borrower must ensure that the aggregate sum of the Propco Loans at any time, net of all amounts paid into (and standing to the credit of) the Deposit Account to cure the Loan to Value Test) does not exceed the following percentages of the aggregate total value of the Borrowers' interests in the Properties at that time as recorded in the then most recent Valuation:

Applicable Period	Loan to Value
First Rent Cover Test Date up to (and including) 2 nd anniversary of 9 October 2006 (the " Utilisation Date ")	85.0%
From (but excluding) 2 nd anniversary up to (and including) 3 rd anniversary of Utilisation Date	85.0%
From (but excluding) 3 rd anniversary up to (and including) 4 th anniversary of Utilisation Date	82.5%
From (but excluding) 4 th anniversary up to (and including) 5 th anniversary of Utilisation Date	82.5%
From (but excluding) 5 th anniversary up to (and including) 6 th anniversary of Utilisation Date	80.0%
From (but excluding) 6 th anniversary up to (and including) the Loan Final Maturity Date,	80.0%
the " Loan to Value Test ".	

- (ii) **Interest Cover Ratio:** Each Borrower must ensure that, on each Loan Interest Payment Date after the second quarter falling after the Utilisation Date, the Total Interest Cover Ratio for each Test Period is not less in each case than the following ratios set out below:

Applicable Period	Interest Cover Ratio
From Utilisation Date up to (and including) 1 st anniversary of Utilisation Date	1.085
From (but excluding) 1 st anniversary up to (and including) 2 nd anniversary of Utilisation Date	1.10
From (but excluding) 2 nd anniversary up to (and including) 3 rd anniversary of Utilisation Date	1.125
From (but excluding) 3 rd anniversary up to (and including) 4 th anniversary of Utilisation Date	1.15
From (but excluding) 4 th anniversary up to (and including) 5 th anniversary of Utilisation Date	1.20
From (but excluding) 5 th anniversary up to (and including) 6 th anniversary of Utilisation Date	1.25
From (but excluding) 6 th anniversary up to (and including) the Loan Final Maturity Date,	1.30

the "**Interest Cover Test**".

- (iii) **Cure Rights:** In the event of a breach of either Loan to Value Test or Interest Cover Test, the Borrowers may cure such breach by prepaying the Propco Loans in, or by depositing or procuring a deposit into the Deposit Account of, an amount necessary to ensure compliance with Loan to Value Test or Interest Cover Test, as the case may be. In the event of a breach of Loan to Value Test, the Borrowers may cure such breach by creating security in favour of the Borrower Security Trustee in respect of any additional property owned by a Borrower and the value of such Property shall be deemed to increase the amount of the most recent Valuation for the purposes of calculating the Loan to Value.

For the purposes of calculating the Interest Cover Test, the Actual Finance Costs and the Projected Finance Costs shall be recalculated from the beginning of the calculation period having regard to the amount of the Propco Loans prepaid or deducting from the amount of the Propco Loans the amount paid into the Deposit Account.

Property Undertakings

Each Borrower must, amongst other things:

- (i) comply with any planning permissions and planning law with respect to the Properties;
- (ii) observe and perform all restrictive and other covenants, stipulations and obligations now or at any time affecting its Property;
- (iii) comply with environmental law and obtain and maintain and ensure compliance with any environmental permits;

- (iv) in relation to any lease under which that Borrower derives its estate or interest in its Property, observe and perform all covenants, stipulations and obligations on the lessee, diligently enforce all covenants on the part of the lessor and comply with certain other restrictions with respect to any such Lease;
- (v) comply with certain restrictions regarding the Leases (including but not limited to surrender, amendment and variation of the Leases);
- (vi) at the request of the Facility Agent, provide a valuation of each Property as the Facility Agent may direct not more than once every twelve months;
- (vii) notify the Facility Agent immediately if any part of a Property is compulsorily purchased or the applicable governmental agency or authority makes an order for the compulsory purchase of the same;
- (viii) repair and keep in good and substantial repair and condition its Property and any other machinery and equipment forming part of each Property and when necessary replace the same by items of similar quality and value; and
- (ix) pay all taxes, fees and charges whatsoever on the Property when due.

Each Obligor must, amongst other things effect and maintain or ensure that there is effected and maintained at all times specified insurance with a substantial and reputable insurance office or underwriters of a specified rating, covering (a) such risks and contingencies (other than hostile aircraft) as are insured in accordance with sound commercial practice, or which the Agent may direct from time to time, at the full reinstatement value thereof with sufficient provision also being made for the cost of clearing the site and architects', engineers', surveyors' and other professional fees incidental thereto (together with provision for forward inflation), (b) the loss of rental income or prospective rental income for a period of not less than three years or such other period as the Agent may direct and having regard to any potential increases in rental income as a result of reviews, (c) acts of terrorism (to the fullest extent available in the market on reasonable terms) in respect of each Property, and (d) product, third party and public liability risks.

Disposal Undertakings

An Obligor must not sell, lease, transfer or otherwise dispose of the whole or any part of its assets, except as follows:

- (a) in the case of a Borrower, pursuant to a Lease;
- (b) of obsolete assets which have outlasted their useful life and which are no longer required for the efficient operation of its business;
- (c) expenditure of cash for purposes consistent with the Finance Documents.
- (d) on the disposal by a Borrower of the whole of its interest in its Property or by a Holdco of the whole or any of its shares in a Borrower or by the Parent of the whole or any of its shares in any Holdco if (in each case) on arm's length terms to a third party *provided that*:
 - (i) the conditions in the Propco Facility Agreement and the Tax Deed (in each case as applicable) are satisfied in respect of such disposal;
 - (ii) the Rent Cover Ratio immediately following the disposal would be in excess of 1.40;

- (iii) no default is continuing or would occur following such disposal;
- (iv) the relevant Borrower procures the Valuer to prepare and deliver to the Finance Parties a desktop valuation in respect of the Property being disposed of in form and substance satisfactory to the Facility Agent; and
- (v) the relevant Borrower gives at least five Loan Business Days' prior written notice of such disposal to the Facility Agent specifying details of the consideration, application of Net Disposal Proceeds and any taxes payable; and
- (vi) prior to or immediately upon such disposal, the Obligors procure that amounts are applied as set out above in "*Disposals Regime - Disposal Proceeds Account*":

and, in such circumstances, the Facility Agent shall procure release (at the Borrowers' cost) all interests in the relevant Property or shares from the Borrower Security created under the Finance Documents.

Information Undertakings

The Obligor's Agent (and in the case of (a), each Obligor) has undertaken to supply, among other things, the following information to the Facility Agent:

- (a) its annual audited consolidated financial statements and its unaudited quarterly financial statements;
- (b) a compliance certificate setting out its compliance with the Interest Cover Test, the Loan to Value Test, the Tenant Incurrence Test and prepayments made from Surplus Cashflow;
- (c) a compliance certificate prepared by KPMG (or such other firm of chartered accountants) forecasting and confirming the tax liabilities of the Obligors;
- (d) a quarterly management report and any other information with respect to the Properties that the Facility Agent reasonably requests;
- (e) miscellaneous information, including that provided to shareholders or creditors, details of any litigation or other proceedings and such other information regarding the financial condition, business and operations of any Obligor as the Facility Agent may reasonably request; and
- (f) notification of any default under the Propco Facilities Agreement.

Loan Events of Default

The Propco Facility Agreement contains various events of default (each, a "**Loan Event of Default**") which include (but are not limited to):

- (a) non-payment (subject to a grace period of two Loan Business Days if the failure to pay is caused by administrative or technical error in the transmission of funds) of any amount payable pursuant to a Finance Document;
- (b) failure to comply with the covenants relating to the Control Accounts, the Tenant Incurrence Test, the negative pledge covenant, the covenants relating to disposals of Properties, the insurance covenants and certain other specified undertakings;
- (c) failure to comply with the Loan to Value Test or the Interest Cover Test (subject to the Cure Rights);

- (d) failure to comply with any other obligation under the Finance Documents (other than those in (b) and (c) above and other than (e) below) subject to a 20 Loan Business Day cure period;
- (e) failure by any party to the Tax Deed to comply with any provision of the Tax Deed (subject to certain materiality thresholds and subject to provisions entitling the Borrowers to deposit amounts equal to any relevant tax liability in the Tax Reserve Account (see "*Risk Factors - Tax Considerations Relating to the Obligors - Corporation Tax on Chargeable Gains relating to the Properties*"));
- (f) misrepresentation by any Obligor subject to a 20 Loan Business Day cure period (if capable of correction without detriment to a Finance Party);
- (g) cross default by any Obligor subject to a *de minimis* amount of £500,000;
- (h) insolvency and opening of insolvency proceedings of any Obligor;
- (i) a failure by the Tenant to pay rental income under a Lease (upon the expiry of a grace period);
- (j) the repudiation, forfeiture or termination of a Lease having a material adverse affect;
- (k) the appointment of an insolvency practitioner in respect of the Tenant;
- (l) the cessation of business of an Obligor;
- (m) the entire issued share capital of any Borrower ceases to be legally and beneficially owned and controlled by its Holdco;
- (n) the entire issued ordinary share capital of any Holdco ceases to be legally and beneficially owned and controlled by the Parent or the entire issued preference share capital of any Holdco ceases to be legally and beneficially owned and controlled by Topco (other than as permitted by the terms of the Propco Facility Agreement and the Tax Deed where certain conditions are satisfied, see "*Disposal Undertakings*" above and "*Tax Deed*" below);
- (o) any event or series of events occurs which gives rise to a material adverse effect.

Acceleration

Following a Loan Event of Default which is continuing, the Facility Agent may, and shall, if so directed by the Instructing Group (see "*Intercreditor Agreement - Entitlement to Enforce*" below), by notice to the Borrowers:

- (a) cancel all commitments under the Propco Facility Agreement;
- (b) declare that all or part of the Propco Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable;
- (c) declare that all or part of the Propco Loans be payable on demand; and/or
- (d) take any step to enforce any Borrower Security.

Governing law

The Propco Facility Agreement is governed by English law.

Intercreditor Arrangements

Subordination Agreement

Each Obligor, the Parent and Topco (the "**Borrower Subordinated Creditors**") entered into a subordination deed with the Facility Agent on or about the Loan Closing Date (the "**Subordination Agreement**"). Pursuant to the Subordination Agreement, the Borrower Subordinated Creditors have agreed that any liabilities owing to them by any Obligor (including pursuant to any intercompany loans) are subordinated in right of payment to all amounts owing by the Obligors to the Finance Parties under or in connection with the Finance Documents.

Under the Subordination Agreement, each of the Borrower Subordinated Creditors agrees, amongst other things, that it will not, without the consent of the Facility Agent or except where already permitted by a Finance Document, demand or receive payment of, or take any action to enforce any, amounts owing to it by any Obligor or initiate or support any steps in connection with the insolvency, winding up or similar proceedings against any Obligor or otherwise exercise any remedy for the recovery of amounts owing to it by any Obligor until all amounts owing by the Obligors under the Finance Documents have been unconditionally and irrevocably paid and discharged in full.

The Subordination Agreement is governed by English law.

Intercreditor Agreement

The Intercreditor Agreement, entered into by the Sellers, the Minority Senior Lenders, the Hedge Counterparties, the Facility Agent, the Borrower Security Trustee, the Junior A Lenders and the Junior B Lenders, regulates the position as between the parties as to ranking of claims, the order of payments and application of recoveries, certain entrenched rights in relation to the voting and instruction regime and restrictions on taking enforcement action with respect to the Propco Loans.

But for the bifurcation of the Propco Loans pursuant to the Intercreditor Agreement, the Junior Lenders would be Lenders ranking *pari passu* with the Senior Lenders for the purposes of the provisions of the Propco Facility Agreement. The Intercreditor Agreement governs the relationship and ranking of the Junior Lenders as against the Senior Lenders (which, following the Closing Date, will comprise the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders).

The Issuer will accede to the Intercreditor Agreement on or about the Closing Date. Pursuant to the Servicing Agreement and prior to the Trustee Control Trigger, the Relevant Servicer will exercise all discretions of the Issuer (and Theatre (Hospitals) No. 2 and the Minority Senior Lenders) under the Intercreditor Agreement to the extent permitted by the Servicing Agreement. The Issuer and Theatre (Hospitals) No.1 acting together will be the Majority Senior Lenders.

Ranking

Pursuant to the Intercreditor Agreement, the Senior Debt ranks ahead of the Junior A Debt, the Junior A Debt ranks ahead of the Junior B Debt, the Junior B Debt ranks ahead of the Excess Senior Debt and the Excess Senior Debt ranks ahead of the Excess Junior A Debt. The liabilities payable or owing by the Obligors with respect to the Whole Senior Loans will constitute Senior Debt (subject to the limitations referred to below).

Other than in accordance with the Intercreditor Agreement, the Junior Lenders may not, *inter alia*, receive any distribution or payment in respect of any Junior Debt, discharge any Junior Debt, receive the benefit of any security interest, guarantee, indemnity or other assurance against loss in respect of

any Junior Debt or take or omit to take any action which might impair the priority or subordination achieved or intended to be achieved by the Intercreditor Agreement.

If the principal amount of the Senior Debt (other than the liabilities payable or owing pursuant to the Hedge Agreements) exceeds the commitment of the Senior Lenders under the Propco Facility Agreement (plus (i) any amounts applied as Property Protection Advances or Hedge Protection Advances; plus (ii) the aggregate amount paid to the Senior Lenders for the purpose of meeting costs and expenses referred to in paragraph (a) of the definition of Permitted Expenditure; (iii) less the amount of any prepayment or repayment of the Senior Debt) (the "**Excess Senior Debt**"), then all liabilities in respect of the Excess Senior Debt will rank behind the Junior B Debt and will be subordinated to the Junior B Debt, the Junior A Debt and the Senior Debt. The Intercreditor Agreement contains similar provisions in relation to any excess Junior A Debt (the "**Excess Junior A Debt**"). Excess Junior A Debt ranks behind Excess Senior Debt.

Amendments and Waivers under the Finance Documents

Subject to certain entrenched rights (see "*Entrenched Rights*" below) and subject to the paragraph below, the Facility Agent may agree with the Obligors to amend the Finance Documents or grant any waivers thereunder and any such amendment or waiver will be binding on all parties provided that the consent of the Majority Senior Lenders and the Majority Junior A Lenders (acting together) is obtained. As noted above, the Issuer and Theatre (Hospitals) No. 2 will, acting together, constitute the Majority Senior Lenders following the Closing Date.

Notwithstanding the paragraph above, the Facility Agent may agree to an amendment or waiver or give its consent in relation to the following matters with the prior consent of the Majority Senior Lenders (which, following the Closing Date, will be the Issuer and Theatre (Hospitals) No.1 acting together):

- (a) any assignment or amendment of a Lease by a Borrower;
- (b) any alterations to any Property where the consent of the Facility Agent is required pursuant to the Propco Facility Agreement; and
- (c) any change in use of any Property.

Entrenched Rights

No proposed modification, waiver or consent in relation to a Finance Document will be effective if it relates to, inter alia, any of the following (each an "**Entrenched Right**") unless all Creditors (to the extent such Creditor would be affected by the proposed modification, waiver or consent) have given their consent to the same:

- (a) any change to the date of payment of any amount due to a Lender under the Finance Documents;
- (b) any change to the availability period or increase in the commitment under the Propco Facility Agreement;
- (c) a reduction or deferral in the amount of any payment of principal or a reduction in the rate of interest (including the margin), fees or other amounts under the Finance Documents;
- (d) a change in the currency of any amount payable to the Lenders;
- (e) any change to the order of priority or subordination under the Propco Facility Agreement;

- (f) any release of Borrower Security or guarantee or the release of an Obligor; or
- (g) any amendment to the mandatory prepayment provisions in relation to a change of control, disposals (including the definition of Allocated Loan Amount), insurance proceeds, acquisition proceeds or the Tenant Incurrence Test of the Propco Facility Agreement.

Rate of Interest on the Whole Senior Loans, the Junior A Loans and the Junior B Loans

The Intercreditor Agreement provides that, notwithstanding the provisions of the Propco Facility Agreement, the rate of interest payable to the Senior Lenders on the Whole Senior Loans, the Junior A Lenders on the Junior A Loans and the Junior B Lenders on the Junior B Loans shall be different reflecting their respective claims and ranking (see "*Propco Facility Agreement - Interest*" above).

The Senior Lenders will receive for each Loan Interest Period interest at the Senior Rate, the Junior A Lenders will receive for each Loan Interest Period interest at the Junior A Rate and the Junior B Lenders will receive for each Loan Interest Period interest at the Junior B Rate.

Pursuant to the Intercreditor Agreement, the Senior Rate will equal a residual rate of interest after payment of the interest on the Junior Loans but will be subject to a floor (the "**Senior Floor**"). Pursuant to the Minority Senior Lender Intercreditor Agreement, the Issuer, Theatre (Hospitals) No.1 and the Minority Senior Lenders will agree to allocate the interest payable collectively to the Senior Lenders amongst themselves at different rates. The effect of this agreement, together with the provisions of the Intercreditor Agreement, is to ensure that the rate of interest payable to the Issuer in its capacity as a Senior Lender on each Loan Payment Date will always be sufficient to meet the weighted average coupon payable by the Issuer on each Class of Notes on each Note Payment Date together with any prior ranking scheduled expenses of the Issuer.

Application of Funds (Loan Interest Collections)(Pre-Material Default)

Subject to "*Prepayments*" below, on each Loan Interest Payment Date, all payments of Loan Interest Collections made to the Lenders in accordance with the Propco Facility Agreement are applied: (i) *firstly*, to the Senior Lenders in payment of interest at the Senior Rate; (ii) *secondly*, to the Junior A Lenders in payment of interest at the Junior A Rate; and (iii) *thirdly*, to the Junior B Lenders in payment of interest at the Junior B Rate.

Application of Funds (Loan Principal Collections)(Pre-Material Default)

Subject to "*Prepayments*" below, on each Loan Interest Payment Date:

- (a) all payments of Loan Principal Collections (other than Loan Principal Collections representing Release Premium Amounts) made to the Lenders in accordance with the Propco Facility Agreement will be applied on a *pari passu* and *pro rata* basis for application against the Senior Debt, the Junior A Debt and the Junior B Debt; and
- (b) all payments of Loan Principal Collections representing Release Premium Amounts made to the Lenders in accordance with the Propco Facility Agreement will be applied in accordance with the following priority of payments:
 - (i) *firstly*, an amount equal to 85 per cent. of such Release Premium Amounts (the "**Senior Lender Release Premium Proportion**"), to the Senior Lenders; and
 - (ii) *secondly*, an amount equal to 15 per cent. of such Release Premium Amounts (the "**Junior B Lender Release Premium Proportion**") to the Junior B Lenders.

"Release Premium Amount" means, with respect to a disposal of a Property or the shares in a Borrower, the amount by which the Release Amount exceeds the Allocated Loan Amount of the relevant Property.

Prepayments

On the prepayment of any Propco Loan on any date other than a Loan Interest Payment Date, the Facility Agent will apply amounts received from the Borrowers in respect of such prepayment as follows:

- (a) the principal amount of such prepayment attributable on a *pro rata* basis to a Junior Loan (*provided that* any principal amounts constituting Release Premium Amounts shall be attributable to the Junior B Loans in accordance with the Junior B Lender Release Premium Proportion and shall not be attributable to the Junior A Loans) and any Prepayment Fees, break costs and accrued interest up to the date of prepayment at the respective Junior Rates, each attributable to a Junior Loan, to be paid to the relevant Junior Lenders on the date upon which such amounts are paid by the relevant Borrower;
- (b) any amounts due to the Hedge Counterparties under the Finance Documents attributable to the prepayment of a Junior Loan, to be paid to the Hedge Counterparties on the date upon which such amounts are paid by the relevant Borrower;
- (c) the principal amount of such prepayment attributable on a *pro rata* basis to a Whole Senior Loan (*provided that* any principal amounts constituting Release Premium Amounts shall be attributable to the Whole Senior Loans in accordance with the Senior Lender Release Premium Proportion) and any Prepayment Fees and accrued interest up to the next Loan Interest Payment Date attributable to a Whole Senior Loan, to be deposited in the Prepayments Account in accordance with the Propco Facility Agreement; and
- (d) any amounts due to the Hedge Counterparties under the Finance Documents attributable to the prepayment of a Whole Senior Loan, to be deposited in the Prepayments Account in accordance with the Propco Facility Agreement.

Pursuant to the Intercreditor Agreement, on the Loan Interest Payment Date immediately following any such prepayment, the Facility Agent shall apply (i) all Loan Interest Collections standing to the credit of the Prepayments Account, to the Senior Lenders; (ii) all Loan Principal Collections standing to the credit of the Prepayments Account, to the Senior Lenders; and (iii) all amounts standing to the credit of the Prepayments Account referred to in paragraph (d) above, to the Hedge Counterparties.

Application of Funds (Post-Material Default)

A **"Material Default"** will occur if there is a payment default by an Obligor under the Propco Facility Agreement, an insolvency event of default under the Propco Facility Agreement or a financial covenant event of default under the Propco Facility Agreement.

Promptly following a Material Default, the Facility Agent must open and maintain in its name an interest-bearing trust account denominated in sterling (the **"Escrow Account"**), over which it has sole signing rights.

Following a Material Default (but prior to any enforcement action in respect of the Propco Loans), any amounts that would otherwise have been payable to the Junior B Lenders in accordance with the terms of the Intercreditor Agreement must be paid by the Facility Agent directly into the Escrow Account on the relevant Loan Interest Payment Date. Any amounts standing to the credit of the Escrow Account

are, in turn, only paid to the Junior B Lenders and withdrawn from the Escrow Account for application in payment to the Junior B Lenders:

- (a) if the Material Default has been remedied, cured or waived within a period of 90 days from the occurrence of the Material Default; or
- (b) no enforcement action (including acceleration) has been taken with respect to the Propco Loans or the Borrower Security within 90 days of the occurrence of the relevant Material Default,

in which case, amounts will be applied in accordance with the provisions relating to the application of Loan Interest Collections and Loan Principal Collections described above.

If any enforcement action is taken within 90 days of the occurrence of the Material Default, the Facility Agent is required to apply all amounts standing to the credit of the Escrow Account (including any interest accrued thereon) in accordance with the post-enforcement priority of payments set out in the Intercreditor Agreement (see "*Post-Enforcement Application of Funds*" below).

Post-Enforcement Application of Funds

After commencement of any enforcement action with respect to the Propco Loans or the Borrower Security by the Borrower Security Trustee, all amounts received by the Borrower Security Trustee or any receiver pursuant to the Finance Documents or the Intercreditor Agreement or in connection with the enforcement of the Borrower Security shall be held by the Borrower Security Trustee on trust and applied, to the extent permitted by law, in the order set out below:

- (a) in payment of any unpaid rent under any lease out of which a Borrower derives its interest in a Property;
- (b) in payment of all costs and expenses of the Facility Agent or the Borrower Security Trustee and all costs and expenses pursuant to paragraph (a) of the definition of Permitted Expenditure;
- (c) in payment to the Facility Agent on behalf of the Creditors to be applied in accordance with the Intercreditor Agreements as follows:
 - (i) in payment of all amounts due to the Hedge Counterparties (excluding payments referred to in (iv) below);
 - (ii) in payment of any accrued interest (at the Senior Rate), fees or commissions due to the Senior Lenders;
 - (iii) in repayment of any principal on the Senior Debt (excluding Excess Senior Debt) to the Senior Lenders;
 - (iv) in payment to the Hedge Counterparties of any amounts due as a result of a termination or closing out of the relevant Hedge Agreements arising from (a) an event of default of a Hedge Counterparty; (b) a Tax Event (as defined in the relevant Hedge Agreement) occurring with respect to a Hedge Counterparty; or (c) a ratings downgrade of a Hedge Counterparty resulting in the termination of the relevant Hedge Agreement;
 - (v) in payment of any accrued interest (at the Junior A Rate), fees or commissions due to the Junior A Lenders
 - (vi) in repayment of any principal on the Junior A Debt to the Junior A Lenders;

- (vii) in payment of any accrued interest (at the Junior B Rate), fees or commissions due to the Junior B Lenders
 - (viii) in repayment of any principal on the Junior B Debt to the Junior B Lenders;
 - (ix) in repayment of any Excess Senior Debt;
 - (x) in repayment of any Excess Junior A Debt; and
 - (xi) any excess, to the Senior Lenders.
- (d) if all secured obligations of the Finance Parties have been paid and discharged in full, in payment of the surplus (if any) to the Obligor or other person entitled thereto.

Entitlement to Enforce

The Borrower Security Trustee must enforce the Borrower Security if a Loan Event of Default has occurred and is continuing and the Facility Agent has given directions to do so under the Propco Facility Agreement. The Borrower Security Trustee must thereafter act at the direction of the Facility Agent and in accordance with the Intercreditor Agreement. The Facility Agent will act on the instructions of the "**Instructing Group**" (namely the Majority Senior Lenders, which, following the Closing Date, will be the Issuer and Theatre (Hospitals) No.1 acting together (represented, prior to the Trustee Control Trigger, by the Special Servicer, and thereafter, acting as instructed by the Trustee and the Theatre (Hospitals) No.1 Trustee in accordance with the terms of the Servicing Agreement (see "*Servicing*" below))).

Except as described below, the Junior Lenders may not take, or require the Facility Agent to take, any enforcement action with respect to the Junior A Debt or the Junior B Debt.

The Junior A Lenders and/or the Junior B Lenders may only require the Instructing Group to instruct the Facility Agent to take enforcement action if:

- (a) the Senior Lenders have accelerated any of the Whole Senior Loans; or
- (b) a Loan Event of Default is outstanding at the end of the relevant Standstill Period and the market value of the Properties (determined in accordance with the Intercreditor Agreement) is such that the realization of the Properties subject to the Borrower Security would produce an amount equal to at least 120 per cent. of the sum of (i) the principal amount outstanding of all of the debt ranking above the Junior A Lenders or, as the case may be, the Junior B Lenders; (ii) the value of the debt outstanding under the Hedge Agreements; and (iii) the aggregate of all fees, costs and expenses under the Finance Documents payable in priority to such Junior Lender ((i), (ii) and (iii) together, the "**Prior Ranking Debt**").

The relevant "**Standstill Period**" will be:

- (c) for a Loan Event of Default related to non-payment, with respect to (i) the Junior A Lenders, 60 days; and (ii) the Junior B Lenders, 90 days;
- (d) for a Loan Event of Default related to breach of a financial covenant, with respect to (i) the Junior A Lenders, 90 days; and (ii) the Junior B Lenders, 120 days; and
- (e) for any other Loan Event of Default, with respect to (i) the Junior A Lenders, 120 days; and (ii) the Junior B Lenders, 150 days.

Control of Enforcement

Once enforcement action is commenced by the Borrower Security Trustee, the Borrower Security Trustee will act in accordance with the instructions of the Facility Agent who will act in accordance with the instructions of the Lenders in the following order of priority:

- (a) *firstly*, the Junior B Lenders, for so long as the market value of the Properties subject to the Borrower Security is greater than or equal to 120 per cent. of the Prior Ranking Debt applicable to the Junior B Lenders;
- (b) *secondly*, the Junior A Lenders, for so long as the market value of the Properties subject to the Borrower Security is greater than or equal to 120 per cent. of the Prior Ranking Debt applicable to the Junior A Lenders; and
- (c) *thirdly*, thereafter, the Majority Senior Lenders (which, following the Closing Date, shall be the Issuer and Theatre (Hospitals) No.2, acting together (represented, prior to the Trustee Control Trigger, by the Special Servicer, and thereafter, acting as instructed by the Trustee and the Theatre (Hospitals) No.2 Trustee in accordance with the terms of the Servicing Agreement (see "Servicing" below))).

Cure Payments

After the occurrence of a Loan Event of Default (other than an insolvency related Loan Event of Default) which is capable of remedy (a "**Remediable Default**"), the Junior Lenders have the right, but not the obligation, to cure that Remediable Default within the applicable Grace Period.

"**Grace Period**" means:

- (a) in relation to a Loan Event of Default relating to non-payment, 5 Loan Business Days;
- (b) in relation to a Loan Event of Default relating to breach of financial covenants, 10 Loan Business Days; and
- (c) in relation to any other Remediable Default, 15 Loan Business Days,

in each case commencing on the later of receipt by the Facility Agent of notice that a Remediable Default has occurred and the expiry of any grace period afforded under the Propco Facility Agreement.

Where this right is exercised, the Senior Creditors must not take any action or require the Facility Agent to instruct the Borrower Security Trustee to take any enforcement action during the Grace Period and a Junior Lender may take whatever action it considers desirable so as to remedy or cure the Remediable Default (provided that, in the case of a Remediable Default relating to breach of financial covenants, such action is in accordance with the cure right provisions of the Propco Facility Agreement (see "*Propco Facility Agreement - Cure Rights*" above). Without limiting this right, a Junior Lender may cure a Remediable Default relating to non-payment by making the payment on behalf of the relevant Obligor.

A Junior Lender may not exercise its right to remedy a Remediable Default relating to non-payment or relating to breach of financial covenants if it would result in the Junior Lenders exercising such rights on more than six occasions since the Loan Closing Date or on more than two consecutive occasions. There are no limitations on the number of times the Junior Lenders can cure any other Remediable Default.

Option to Purchase - Junior Lenders

If any of (a) a Loan Event of Default (resulting in the acceleration of the Propco Loans under the Propco Facility Agreement); (b) any enforcement action; or (c) a Material Default which is continuing, occurs, one or more Junior Lenders may elect, by notice in writing to the Facility Agent to purchase, or arrange for another person to purchase, all of the Senior Debt for an amount equal to the principal amount of the Senior Debt plus accrued but unpaid interest at the Senior Rate to the date of purchase or, if the date of purchase is not a Loan Interest Payment Date, to the next following Loan Interest Payment Date plus any unpaid fees, costs and expenses of the Master Servicer, the Special Servicer or the Liquidity Facility Provider. In these circumstances, the Issuer as a Senior Lender will be under an obligation to sell the Senior Loans on such terms.

Governing law

The Intercreditor Agreement is governed by English law.

Minority Senior Lender Intercreditor Agreement

As described above, pursuant to the Minority Senior Lender Intercreditor Agreement, the Issuer, Theatre (Hospitals) No.2 and the Minority Senior Lenders will agree to allocate the interest payable collectively to the Senior Lenders amongst themselves at different rates. The effect of this agreement, together with the provisions of the Intercreditor Agreement, is to ensure that the rate of interest payable to the Issuer in its capacity as a Senior Lender on each Loan Payment Date will always be sufficient to meet the weighted average coupon payable by the Issuer on each Class of Notes on each Note Payment Date together with any prior ranking scheduled expenses of the Issuer. The Minority Senior Lender Intercreditor Agreement will also allocate Permitted Expenditure Amounts between the Issuer and Theatre (Hospitals) No. 2.

The Issuer will accede to the Minority Senior Lender Intercreditor Agreement on or about the Closing Date.

The Minority Senior Lender Intercreditor Agreement is governed by English Law.

Tax Deed

A tax deed of covenant (the "**Tax Deed**") was entered into on 9 October 2006 between Mixer, each Obligor and various other companies in the Mixer group in favour of the Borrower Security Trustee.

The Tax Deed supports the obligations of the Obligors under the Propco Facility Agreement and various factual assumptions which underpin the expected tax treatment of the Obligors. Under the Tax Deed, the parties give certain representations, warranties and covenants in relation to the tax affairs of the Obligors, Mixer and other members of the Mixer group.

The Tax Deed also contains provisions in addition to those in the Propco Facility Agreement concerning the circumstances in which Mixer is permitted to dispose of shares it holds in a Holdco.

Certain provisions of the Tax Deed are described in greater detail above under "*Risk Factors - Tax Considerations relating to the Obligors*".

The Tax Deed is governed by English law.

Indemnity Deed

An indemnity deed (the "**Indemnity Deed**") was entered into on or about the Loan Closing Date between the Tenant, the Parent, the Borrowers and the Borrower Security Trustee. Pursuant to the Indemnity Deed, if at any time, any Borrower becomes liable to pay or incurs:

- (a) any costs, fees and expenses required to maintain its corporate existence and any administrative costs, directors' fees, professional fees and regulatory costs incurred in the ordinary course of its business as a non-trading company; or
- (b) any liability to tax and any duty, contribution, impost, levy or charge in the nature of tax (including corporation tax, capital gains tax, value added tax, stamp duty, stamp duty land tax, stamp duty reserve tax) for which a Borrower is or becomes liable, whether primarily or as a result of the failure of any other person (other than that Borrower) to discharge any liability for such tax ("**Tax Liabilities**"),

(together the "**Propco Obligations**"), and the relevant Borrower is unable to make payment of such amounts from sums freely available to it to under the terms of the Propco Facility Agreement to meet Permitted Expenditure, the Tenant will (subject to the limitations set out below), pay to that Borrower an amount equal to those Propco Obligations.

The Tenant's obligations under the Indemnity Deed will not apply in respect of any liability of a Borrower:

- (i) if the liability arises at a time when that Borrower has ceased to be directly or indirectly a subsidiary of the Parent as a result of a disposal of that Borrower's Holdco; or
- (ii) if all amounts under the Propco Facility Agreement have been unconditionally and irrevocably repaid in full and all security granted thereunder has been discharged; or
- (iii) if the Parent has advanced (directly or indirectly) to the relevant Borrower by means of a subordinated loan (subject to the terms of the Subordination Deed) an amount equal to the Propco Obligations; or
- (iv) in respect of any Tax Liabilities (other than corporation tax) save to the extent that the liability of any Borrower for such Tax Liabilities has arisen as a direct result of any action taken by the Tenant which did not involve the co-operation or consent of any Borrower; or
- (v) in respect of any Tax Liabilities arising as a result of the enforcement of any Borrower Security.

The Indemnity Deed is governed by English law.

Borrower Security Documents

The Borrower Security secures, amongst other things, all of the obligations of the Borrowers pursuant to the Finance Documents (including the Propco Loans and the Hedge Agreements).

The Borrower Security has been granted by the Obligors pursuant to the Borrower Security Documents. The Borrower Security Trustee holds the benefit of the Borrower Security on trust for itself and the other Finance Parties (one of whom will be the Issuer, following the Closing Date).

"**Borrower Security Documents**" means:

- (a) a fixed and floating charge debenture entered into by the Obligors in favour of the Borrower Security Trustee (the "**Debenture**") which includes mortgages over the Properties located in England and Wales, an assignment of all rental income (with respect to the Properties located in England and Wales), charges over the shares in each Borrower held by each Holdco, charges over the Control Accounts and a floating charge over each of the Obligors' assets and undertakings;
- (b) each legal charge over Properties located in England and Wales entered into by an Obligor supplemental to the Debenture in favour of the Borrower Security Trustee (each, a "**Legal Charge**");
- (c) the share charge granted by the Parent over its shares in each Holdco in favour of the Borrower Security Trustee (the "**Holdco Share Charge**");
- (d) each floating charge granted under the laws of the British Virgin Islands by each Holdco in favour of the Borrower Security Trustee (each a "**BVI Floating Charge**") over all of each Holdco's assets;
- (e) each standard security over the Properties located in Scotland (each a "**Standard Security**") granted by each relevant Borrower in favour of the Borrower Security Trustee;
- (f) each assignation of rent in respect of each Lease granted by each relevant Borrower in favour of the Borrower Security Trustee of the Properties located in Scotland (each an "**Assignment of Rent**");
- (g) each share charge between the Parent, the Holdcos and the Borrower Security Trustee (each a "**Section 179 Share Charge**") under which, by a second ranking fixed charge in favour of the Borrower Security Trustee, the Parent and each Obligor charges its shares in members of the Propco Group to secure certain obligations and liabilities arising under the Tax Deed; and
- (h) a floating charge debenture entered into by the Borrowers in favour of the Borrower Security Trustee on or before the Closing Date (the "**Closing Date Floating Charge Debenture**") (see "*Risk Factors - appointment of administrative receiver to the Borrowers*" above).

The Borrower Security Documents are governed by English law other than the BVI Floating Charge which is governed by the laws of the British Virgin Islands and the Standard Securities and the Assignations of Rent which are governed by Scots law.

Borrower Call Option Documents

Borrower Call Option Agreement

A call option agreement (the "**Borrower Call Option Agreement**") was entered into on or about the Loan Closing Date between the Tenant in favour of the Borrowers. Pursuant to the Borrower Call Option Agreement, the Tenant grants to each Borrower an option (the "**Borrower Call Option**") to purchase all of the Tenant's right title and interest in all chattels, equipment, fittings and moveable contents situate in or at the relevant Borrower's Property or used in connection with or otherwise referable to the permitted user of the relevant Property (including any replacements, substitutions or additions thereto during the term of the relevant Lease but excluding any assets that the Tenant is permitted to dispose of or transfer under the terms of the Borrower Call Option Agreement) (the "**Call Option Assets**").

The Borrower Call Option may be exercised by a Borrower in relation to all or any part of the Call Option Assets (the "**Relevant Assets**") relating to that Borrower's Property within three months after that Borrower has exercised its right to forfeit (or, in the case of Properties located in Scotland, irritate) its Lease as result of a Lease Termination Event or at the end or sooner determination of the Lease to which that Borrower is party for whatever reason. The Lease Termination Events include the rents being unpaid for ten working days, the Tenant uses the Property other than as permitted, closes any part or the whole of the Property or permits it to remain vacant in breach of the Lease or the Tenant commits or permits an Act of Insolvency to occur (see "*The Leases*").

To the extent that the Call Option Assets comprise the benefits of contracts (including hire purchase agreements or finance leases), which cannot effectively be assigned to the relevant Borrower, the Tenant covenants to cooperate to take all reasonable steps to procure the said contracts to be novated or to obtain such consents as required.

The price payable for the Relevant Assets shall be the sum of £1.00 in the case of such of the Relevant Assets owned by the Tenant on or prior to the date of the Lease or where the subsequent acquisition of such assets has not been notified to the relevant Borrower and in the case of Relevant Assets acquired by the Tenant after the date of the Lease, the depreciated replacement value as agreed between the Tenant and relevant Borrower or in default of agreement as determined by an independent third party expert, whose determination is to be binding on the parties.

The Tenant is not permitted to create any security interest on any of the Call Option Assets other than any lien arising by operation of law in the ordinary course of the Tenant's business securing amounts not more than 30 days overdue, any security interest created to secure any finance or capital lease the outstanding aggregate principal amount of which does not exceed £25,000,000, any security interest created in favour of the Borrowers under the Borrower Call Option Charge (see below) or in favour of the lenders under the Opco Facility Agreement which ranks in priority behind any security granted in favour of the Borrowers under the terms of the Borrower Call Option Intercreditor Agreement (see below). The Tenant is also not permitted to transfer or otherwise dispose with or part with possession of any of the Call Option Assets save for a transfer to a proposed assignee pursuant to any assignment of a Lease (subject to that assignee granting a security power of attorney relating to the exercise of the Borrower Call Option in favour of the relevant Borrower) or a sale in the ordinary course of business of the Tenant operated at the relevant Property.

The Borrower Call Option Agreement is governed by English law.

Borrower Call Option Charge

A fixed charge debenture (the "**Borrower Call Option Charge**") was entered into on or about the Loan Closing Date between the Tenant in favour of GHG 38 (Property Holdings) Limited as Security Agent (as defined therein) and the Borrowers.

Pursuant to the Borrower Call Option Charge, the Tenant grants a first fixed charge over all of its rights, title and interest in the Call Option Assets (other than those located in Scotland or governed by Scots law) to secure all obligations and liabilities of the Tenant under the Borrower Call Option Agreement and each Lease.

The Borrower Call Option Charge may only be exercised if the Tenant fails to comply with any of its obligations under the Borrower Call Option Agreement upon the exercise of the Borrower Call Option by any Borrower, an Act of Insolvency under any Lease occurs in respect of the Tenant or any security granted by the Tenant under the Opco Facility Agreement over any of its assets becomes enforceable

and the Tenant's mortgagee has given notice of its intention to enforce any such security over the Call Option Assets (each a "**Borrower Call Option Acceleration Event**").

If a Lease is forfeited, disclaimed or otherwise terminated, the Borrower Call Option Charge contains a provision for liquidated damages which the parties to that document agree represents a bona fide pre-estimate of liability owed by the Tenant to the relevant Borrower for breaching, disclaiming or causing the termination of the relevant Lease. The liquidated damages owed by the Tenant to the relevant Borrower shall be equal to all rent then due but not paid and all rent payable in the future for the remaining term of each Lease. The obligations of the Tenant in respect of any liquidated damages are secured by the Borrower Call Option Charge. It is important to note that a provision for liquidated damages simply represents a pre-estimate by the relevant parties of liability arising from the breach, disclaimer or termination of the relevant Lease. A court is not, however, bound by such a provision and any liability arising under such a provision and damages ultimately awarded by a court may be at variance with the amount of liquidated damages assessed under the Borrower Call Option Charge.

The Borrower Call Option Charge is governed by English law.

Borrower Call Option Intercreditor Agreement

An intercreditor agreement (the "**Borrower Call Option Intercreditor Agreement**") was entered into on or about the Loan Closing Date between the Tenant as Opco Obligor, Barclays Bank PLC as Opco Security Agent, and GHG 38 (Property Holdings) Limited as Senior Security Agent (all as defined therein).

The Borrower Call Option Intercreditor Agreement provides for the Borrower Call Option Charge to rank prior to all present and future security ("**Opco Security**") granted by the Tenant under the Opco Facility Agreement to the extent such security creates a security interest over any Call Option Assets.

Under the Borrower Call Option Intercreditor Agreement, the Opco Security is not enforceable over the Call Option Assets without the prior consent of the Senior Security Agent (as defined in the Borrower Call Option Intercreditor Agreement) under the Borrower Call Option Charge. The Opco Security may however be enforced in respect of the Call Option Assets as from the date falling 90 days after a Borrower Call Option Acceleration Event occurs unless action has been taken to enforce the Borrower Call Option Charge within that period or where the Opco Security becomes enforceable over the Call Option Assets, and no action is taken to enforce the Borrower Call Option Charge within 90 days of notice being given of an intention to enforce the Opco Security.

The Borrower Call Option Intercreditor Agreement is governed by English law.

Property Monitoring Agreement

Pursuant to a property monitoring agreement dated 12 December 2006 between the Facility Agent, DTZ Debenham Tie Leung Limited (the "**Property Monitor**") and the Obligor's Agent (the "**Property Monitoring Agreement**"), the Facility Agent has appointed the Property Monitor to provide certain monitoring services to it in accordance with standards having regard to the nature of the Properties, the privacy of their occupants and the principles of good estate management.

Pursuant to the Property Monitoring Agreement, the Property Monitor is responsible for producing a report once a year (based upon a sample review of the Properties, such sample to comprise not less than six Properties selected following discussion with the Facility Agent (*provided that* no more than two of the six Properties selected can be seen in consecutive years) comprising (i) a review of the management of the Properties, together with confirmation that such Properties are being managed and

operated in accordance with the principles of good estate management; (ii) a review of compliance by the Tenant with its material obligations under the Leases; (iii) any remedial measures necessary if the Property Monitor is unable to give the confirmations referred to in paragraphs (i) to (iii) above and applicable timescales; and (iv) a report on all substitutions, assignments, sub-lettings and any change of use in relation to any Property.

If any sample review or annual report causes the Property Monitor or the Facility Agent to believe that it is reasonably likely that the Tenant has failed or will fail to comply with its obligations under the Lease, then the Property Monitor shall conduct a review and report of all of the Properties or a further sample as the Facility Agent reasonably considers necessary.

The Property Monitoring Agreement is governed by English law.

Definitions

The following defined terms are used in this chapter:

"Acquisition Proceeds" means the proceeds of any claim against any member of the Tenant Group or against the provider of any report in relation to the acquisition of the Properties (other than Excluded Acquisition Proceeds) after deducting reasonable expenses incurred by any member of the Propco Group in relation to such claim;

"Actual Finance Costs" means, for any Loan Interest Period, the aggregate amount of interest and other finance charges (whether or not paid, payable or capitalised) accrued by the Propco Group under the Finance Documents (as the case may be) in relation to any Loan Interest Period excluding non cash interest and amortised financing costs and adjusted by adding back the net amount payable (or deducting the net amount receivable) by the Borrowers under any interest or (so far as they relate to interest) the Hedge Agreements;

"Actual Net Rental Income" means, for any rental quarter, the aggregate Adjusted Rental Income which is received by the Borrowers under any Lease in relation to that rental quarter after deducting all Adjusted Rental Income (to the extent not fully funded by the Tenant Group): (i) applied or to be applied in respect of that period in accordance with paragraph (i) of the payment waterfall under the Propco Facility Agreement (see "*Rental Income Account*" above); (ii) payable by a tenant under a Lease that is more than two months in arrears on its rental payments; and (iii) any amount or shortfall which any Obligor is obliged to discharge in respect of any part of a Property available for letting being unlet or in respect of any other service charge proceeds shortfall;

"Adjusted Rental Income" means all sums paid to or for the benefit of any Obligor arising from the letting, use or occupation of a Property other than (i) sums paid for the grant, surrender or variation of any Lease; (ii) any sum paid or payable in respect of service charge payments; (iii) any sum paid for breach of covenant or dilapidations under any Lease and for expenses incurred in relation to any such breach; (iv) any contribution to a sinking fund or payable by a tenant under a Lease; (v) any contribution by a Tenant to ground rent due under any Lease; (vi) any payment from a guarantor or other surety; (vii) any service charge expenses paid or payable; (viii) any sum paid in respect of interest, damages or compensation in respect of any rental income; and (ix) any other amounts of rental income paid into the Rental Income Account in accordance with the provisions of the Propco Facility Agreement relating to the Control Accounts;

"Allocated Loan Amount" means, in relation to a Property, the amount of the relevant Propco Loan utilised by the relevant Borrower in respect of that Property as specified in the Propco Facility Agreement;

"**Consolidated EBIT**" of the Properties means, for any Relevant Period, the consolidated profits of the Tenant Group in respect of the Properties from ordinary activities, subject that no item shall be added twice nor deducted twice:

- (a) **before deducting** interest payable and any other interest for which any member of the Tenant Group is liable in respect of the Properties;
- (b) **before deducting** any amount of tax on profits, gains or income paid or payable by any member of the Tenant Group in respect of the Properties;
- (c) **after deducting** (to the extent included) interest receivable and/or any other interest accruing in favour of any member of the Tenant Group in respect of the Properties;
- (d) **excluding** any items (positive or negative) of a one-off, non-recurring, extraordinary or exceptional nature;
- (e) **after deducting** (to the extent otherwise included) the amount of profit (or adding back the loss) of any member of the Tenant Group in respect of the Properties which is attributable to any third party (not being a member of the Tenant Group) which is a shareholder in such member of the Tenant Group;
- (f) **after deducting** (to the extent otherwise included) any gain over book value arising in favour of a member of the Tenant Group in respect of the Properties in the disposal of any asset (not being a disposals made in the ordinary course of trading) during such period and any gain arising on any revaluation of any asset during such period;
- (g) **after adding back** (to the extent otherwise deducted) any loss against book value incurred by a member of the Tenant Group in respect of the Properties on the disposal of any asset (not being any disposals made in the ordinary course of trading) during such period or any loss arising on any revaluation of any asset during such period;
- (h) **after adding back** acquisition and restructuring and similar costs to the extent deducted in respect of the Properties;
- (i) **after adding back** an amount equal to the amount of any reduction, or deducting an amount equal to the amount of any increase, in the consolidated income from operations of the Tenant Group in respect of the Properties as a result of a revaluation of assets and liabilities of members of the Tenant Group which would not have occurred but for the occurrence of the acquisition of the Properties, in each case during such period;
- (j) **after adding back** (to the extent otherwise deducted) any amount attributed to rent in respect of the Properties for accounting purposes to the extent greater than rent paid in respect of the Properties during the Relevant Period or, as the case may be, after deducting (to the extent otherwise included) any amount of rent paid in respect of the Properties during the Relevant Period to the extent greater than the amount attributed to rent for accounting purposes;
- (k) **after adding back** (to the extent otherwise deducted) any fees, costs or charges of a non-recurring nature related to any equity offering, investments, joint ventures, acquisitions or borrowings of the Tenant Group permitted under the loan facilities of the Tenant (whether or not successful);
- (l) **after deducting** the amount of profit of any entity (which is not a member of the Tenant Group) in which any member of the Tenant Group has an ownership interest to the extent that the

amount of such profit included in the accounts of the Tenant Group in respect of the Properties exceeds the amount (net of any applicable withholding tax) received in cash by members of the Tenant Group in respect of the Properties through distributions by that entity;

- (m) **after adding back** the proceeds of any business interruption insurance; and
- (n) **after adding back** the net operating income of any subsidiary which the Tenant Parent confirms is unrestricted subsidiary that is designated a "Non-Recourse Project Company" by the Tenant Parent in writing and whose sole activity is or will be the operation of NHS contracts for that Relevant Period after deduction of the cost of that subsidiary servicing its debts for that Relevant Period;

"**Consolidated EBITDA**" means, in respect of any Relevant Period, Consolidated EBIT for that Relevant Period plus any amortisation or depreciation relating to the Properties to the extent not already added back in determining Consolidated EBIT for that Relevant Period;

"**Consolidated EBITDAR**" means, in respect of any Relevant Period, Consolidated EBITDA plus any amounts attributable to all rent obligations under any Lease and other third party rent obligations of the Tenant Group in respect of the Properties;

"**Consolidated EBITDAHR**" means, in respect of any Relevant Period, Consolidated EBITDAR plus any central costs of the Tenant Group attributable to the management and occupation of the Properties;

"**Consolidated Property EBITDAHR**" means, in respect of any Relevant Period, Consolidated EBITDAHR plus an adjustment equal to the Pro Forma EBITDAHR Adjustment;

"**Creditors**" means the Senior Creditors and the Junior Lenders;

"**Eligible Cost Savings**" means cost savings, synergies and initiative benefits estimated by the directors of the Tenant Parent to be achievable as a result of one or more initiatives, such estimate having been confirmed by a third-party consultant to the Tenant Parent as not being unreasonable;

"**Excluded Acquisition Proceeds**" means proceeds of any claim which are applied in payment of an adjustment to the purchase price of the Properties, to satisfy any liability of any member of the Propco Group or in the replacement, reinstatement or repair of any assets of any member of the Propco Group;

"**Excluded Insurance Proceeds**" means the proceeds of any insurance claim which are used to cover operating losses within 180 days after receipt, proceeds for replacement or repair of the assets and any third party liabilities which have been applied or committed to be applied within certain time frames and other insurance proceeds which do not exceed £7,500,000 in aggregate with all other insurance proceeds in any year;

"**Finance Documents**" means the Propco Facility Agreement and in relation to the Propco Facility Agreement, any Borrower Security Document, the Subordination Agreement, each transfer certificate (other than any transfer certificate to a Junior Lender in respect of the Junior Loan), any fee letter, any margin letter, each Hedge Agreement, each utilization request, each accession letter, the Tax Deed, the Indemnity Deed and any other document designated as such by the parties to the Propco Facility Agreement;

"**Finance Party**" means each of the Lenders, the Facility Agent, the Borrower Security Trustee, the Hedge Counterparties and the mandated arrangers under the Propco Facility Agreement;

"**Insurance Proceeds**" means the proceeds of any insurance claim received by any member of the

Propco Group (other than Excluded Insurance Proceeds) after deducting reasonable expenses incurred by any member of the Propco Group in relation to such claim;

"**Junior A Debt**" means all liabilities payable or owing by any Obligor to the Junior A Lenders under or in connection with the Finance Documents;

"**Junior B Debt**" means all liabilities payable or owing by any Obligor to the Junior B Lenders under or in connection with the Finance Documents;

"**Loan Interest Collections**" means all amounts other than Principal Collections received or recovered by the Facility Agent for distribution to the Lenders in accordance with the Finance Documents;

"**Loan Principal Collections**" means all amounts received or recovered by way of repayment or prepayment of principal in respect of the Propco Loans and any other amounts of a principal nature received by the Facility Agent for distribution to the Lenders in accordance with the Finance Documents;

"**Loan to Value**" means the ratio determined in accordance with the Loan to Value Test;

"**Majority Lenders**" means the Majority Senior Lenders and the Majority Junior A Lenders (acting together);

"**Majority Junior A Lenders**" means Majority Junior A Lenders holding participations of more than 66²/₃ per cent. of the Junior A Loans;

"**Majority Senior Lenders**" means Senior Lenders holding participations of more than 66²/₃ per cent. of the Senior Loans;

"**Net Disposal Proceeds**" means, upon the disposal of any interest in a Property or shares in a Borrower or a Holdco, the disposal proceeds derived from such disposal after deducting any direct costs and expenses and any taxes approved in writing by the Facility Agent incurred in connection with such disposal;

"**Permitted Expenditure**" means any amount up to a maximum of £300,000 per calendar quarter utilised for the following purposes in the following order: (a) *first*, meeting servicing and agency costs, liquidity facility costs and other agreed expenses in connection with the Propco Facility or obligations arising thereunder and/or in connection with the issue of Notes by the Issuer (including any amount of such costs and expenses in respect of or which represents VAT); and (b) *second*, any expenditure necessary to satisfy costs incurred in relation to any Valuation or planning permissions required in respect of any Property (including any amount of such expenditure in respect of or which represents VAT);

"**Pro Forma EBITDAHR Adjustment**" means, for any Relevant Period that includes any of the eight Financial Quarters first following the establishment of an initiative, the pro forma increase in Consolidated EBITDAHR projected by the Tenant Parent in good faith to be realisable as a result of Eligible Cost Savings during such period, provided that so long as any Eligible Cost Savings are projected to be realisable at any time during that period, it may be assumed, for the purposes of projecting such pro forma increase to Consolidated EBITDAHR, that such Eligible Cost Savings will be realisable during the entire such period;

"**Projected Finance Costs**" means, for any Loan Interest Period, the aggregate of all interest, commitment commission and other finance costs which, in the opinion of the Facility Agent, shall be payable by the Obligors to the Finance Parties under the Finance Documents in respect of that Loan

Interest Period after taking into account all amounts payable or receivable on account of interest by the Borrowers in respect of that Loan Interest Period under any Hedge Agreement;

"Projected Net Rental Income" means, for any rental quarter, the Facility Agent's estimate of the Adjusted Rental Income (not including any amount in respect of or which represents VAT) which shall be received by the Borrowers under any Lease in respect of that rental quarter after:

- (a) deducting all amounts: (i) applied or to be applied in respect of that period in accordance with the payment waterfall under the Propco Facility Agreement (see "*Rental Income Account*" above); (ii) payable by a tenant under a Lease that is more than two months in arrears on its rental payments; and (iii) any amount or shortfall which any Obligor is obliged to discharge in respect of any part of a Property available for letting being unlet or in respect of any other service charge proceeds shortfall; and
- (b) making certain assumptions as to the exercise of a break clause in any Lease and Adjusted Rental Income as specified in the Propco Facility Agreement.

"Propco Group" means each Obligor and their respective subsidiaries;

"Quarter Period" means each quarter period commencing on 31 March, 30 June, 30 September and 31 December;

"Relevant Period" means each period of twelve months ending on the last day of the financial year of a Borrower or a member of the Tenant Group (as the case may be) and each period of twelve months ending on the last day of each Quarter Period of the financial year of a Borrower or member of the Tenant Group;

"Rent Cover Ratio" means the ratio of Consolidated Property EBITDAHR to the total Adjusted Rental Income of the Properties, to be initially tested on the First Rent Cover Test Date and thereafter on each Loan Interest Payment Date to be tested on a rolling 12-month look-back basis;

"Senior Creditors" means the Hedge Counterparties, the Senior Lenders, the Facility Agent and the Borrower Security Trustee; and

"Senior Debt" means all liabilities payable or owing by any Obligor to the Senior Creditors under or in connection with the Finance Documents.

"Tenant Group Adjusted Total Consolidated Debt" means Tenant Group Total Consolidated Debt plus an amount equal to the Net Rental Income of the Properties multiplied by 8;

"Tenant Group" means GHG 1 (Hospital Operations) Limited and each of its subsidiaries (other than certain subsidiaries which may be specified as unrestricted);

"Tenant Group Total Consolidated Debt" means the aggregate amount of all obligations of the Tenant Group for or in respect of any borrowings (as determined in the Propco Facility Agreement) but excluding any loans or share subscriptions made to or in the Tenant Parent by Topco which are subordinated to the liabilities of the Tenant Group and deducting the aggregate amount of available Tenant Group cash or cash equivalent investments held by any member of the Tenant Group;

"Test Period" means any period of four consecutive Quarter Periods; and

"Total Interest Cover Ratio" means the ratio of (a) the aggregate of Actual Net Rental Income for the last two rental quarters ending immediately prior to a Loan Interest Payment Date and Projected Net

Rental Income for the next two rental quarters commencing immediately after that date to (b) the aggregate of Actual Finance Costs for the last two Loan Interest Periods ending on that Loan Interest Payment Date and Projected Finance Costs for the next two Loan Interest Periods commencing immediately after that date.

HEDGE AGREEMENTS

Introduction

Each Borrower has entered into a 2002 ISDA Master Agreement with each of the Hedge Counterparties (each a "**Hedge Agreement**" and together, the "**Hedge Agreements**") in respect of interest rate swap transactions for the purpose of hedging the Borrowers' interest rate liabilities under the Propco Loans. Under the Hedge Agreements, on each Loan Interest Payment Date, each Hedge Counterparty will pay to the relevant Borrower a sum determined by reference to LIBOR and the Borrower will pay to the relevant Hedge Counterparty a sum determined by reference to a fixed rate, both calculated on the notional amount which is intended to correspond to the aggregate principal amount of the Propco Loans at the relevant time.

If at any time the aggregate of the notional amount(s) of all transactions under all Hedge Agreements is less than the aggregate amount outstanding under the Propco Loans at that time (subject to a £2,000,000 buffer), the Borrowers and the Hedge Counterparties must either increase the notional amount(s) of the existing transactions, or enter into additional transactions under the Hedge Agreements such that the aggregate of the notional amount(s) of all transactions under the Hedge Agreements is equal to the aggregate amount outstanding under the Propco Loans at that time.

The parties may not enter into any transactions under the Hedge Agreements other than for the purpose of hedging the Borrowers' interest rate liabilities under the Propco Loans.

Credit Support Provider

The obligations of the Borrower under each Hedge Agreement are guaranteed by each Guarantor pursuant to the guarantee and indemnity contained in the Propco Facility Agreement.

Amendments

No Borrower nor a Hedge Counterparty will may amend the terms of any Hedge Agreement (or any Transaction thereunder) without the prior written consent of the Facility Agent.

Taxation

All payments under the Hedge Agreements will be made without any deduction or withholding for or on account of tax unless such deduction or withholding is required by law.

Where any Borrower is required to make such deduction or withholding from any payment to be made to a Hedge Counterparty, the Borrower is required to gross-up its payment such that the Hedge Counterparty receives the amount which it would have received had the deduction or withholding not been made. The Hedge Counterparties are not required to gross-up any payments to the Borrowers in respect of which they are required to make any deduction or withholding.

However, in circumstances where a Borrower is required to gross-up, or where a Hedge Counterparty is required to make a deduction or withholding, the Borrower may procure a replacement Hedge Counterparty and require the Hedge Counterparty to transfer its rights and obligations under the Hedge Agreements to that replacement Hedge Counterparty as described more fully below. However, if the Borrower is unable to procure a replacement Hedge Counterparty, the Borrower will continue to be obliged to gross-up or receive payments net of any deduction or withholding.

Early Termination

Because the Hedge Agreements are subject to the Propco Facility Agreement, the standard 2002 ISDA Master Agreement Events of Default and Termination Events have been modified in the Hedge Agreements.

Termination by Hedge Counterparties

The Hedge Counterparties may terminate a Hedge Agreement in the following circumstances:

- (a) **Failure to Pay:** Following a failure by a Borrower to pay any amount payable by it under the Hedge Agreement following the expiration of a 10 day grace period from the time at which the Hedge Counterparty notifies both the Borrower and the Facility Agent of the failure to pay.
- (b) **Cross-Default:** Following a failure by any other Borrower to comply with its obligations under any other Hedge Agreement, or any Guarantor to comply with its obligations under the guarantee and indemnity contained in the Propco Facility Agreement, where the aggregate amount of such defaults is not less than £5,000,000.
- (c) **Illegality:** Where it would be illegal for the Hedge Counterparty to perform its obligations under the Hedge Agreement.
- (d) **Cancellation or Expiration:** Upon the cancellation or repayment (in full) of the Propco Loans.
- (e) **Acceleration of the Propco Facility Agreement:** Where the Facility Agent declares that all or part of the Loans under the Propco Facility Agreement are immediately due and payable or are due and payable on demand and then makes demand that they be paid.
- (f) **Disposal of assets:** Where, at any time after the 7th anniversary of the Utilisation Date, the Facility Agent or the Borrower Security Trustee gives notice to a Hedge Counterparty that it intends to apply any proceeds from the disposal of any assets of any Obligor (whether by an Obligor or by the Borrower Security Trustee upon enforcement of any Borrower Security) which are subject to any Borrower Security in satisfaction of the obligations of any Obligor under the Finance Documents.
- (g) **Overhedging:** Where, for any reason (including, for example, an unscheduled prepayment or following the disposal of one or more properties), the aggregate of the notional amount(s) of all transactions under the Hedge Agreements on any date exceeds the aggregate of all amounts drawn down under the Propco Loans on that date (subject to a £2,000,000 buffer). In these circumstances, the Hedge Counterparties may partially terminate transactions to the extent necessary to ensure aggregate of the notional amount(s) of all transactions under the Hedge Agreement no longer exceeds the aggregate of all amounts drawn down under the Propco Loans.

Termination by Borrowers

The Borrowers may only terminate the Hedge Agreements where it would be illegal for them to perform their obligations under those agreements or, subject to the terms of the Propco Facility Agreement, where there has been a Hedge Counterparty downgrade (as described below) and the applicable Hedge Counterparty has failed to take the necessary action in response to that downgrade as required by the Hedge Agreements. However, in certain limited circumstances the Borrowers may procure a replacement Hedge Counterparty and require the Hedge Counterparty to transfer its rights and obligations under the applicable Hedge Agreements to that replacement Hedge Counterparty as

described more fully below. These circumstances includes:

- (a) **Tax Event:** Where the Borrower is required to gross-up a payment to a Hedge Counterparty or receive a payment from a Hedge Counterparty net of any deduction or withholding (see "*Taxation*", above).
- (b) **Failure to Pay:** Following a failure by a Hedge Counterparty to pay any amount payable by it under the Hedge Agreement following the expiration of a 10 day grace period from the time at which the Borrower notifies both the Hedge Counterparty and the Facility Agent of the failure to pay.
- (c) **Breach of Agreement:** Where a Hedge Counterparty fails to comply with or perform any obligation under a Hedge Agreement (other than a failure to pay).

However, even where the Borrower is entitled to terminate the Hedge Agreements, it may only do so with the prior written consent of the Facility Agent and where either:

- (a) it has found a replacement counterparty willing to enter into new hedging arrangements on terms that reflect as closely as reasonably possible (as determined by the Facility Agent in its sole and absolute discretion) the economic, legal and credit terms of each transaction to be terminated; or
- (b) it would not be required to make any payment in respect of that termination (see "*Payment on Termination or Transfer*", below).

Hedge Counterparty downgrade

The Hedge Agreements contain provisions requiring a Hedge Counterparty (or, where the Hedge Counterparty is unrated, its guarantor) to take certain actions if the ratings assigned to its unsecured and unsubordinated debt obligations fall below specified trigger levels (the "**Level 1 Trigger**", the "**Level 2 Trigger**" and the "**Level 3 Trigger**" as described in the table below, the ratings specified for each trigger level in the table below being the "**Requisite Ratings**" for that trigger level).

	S&P (Short Term)	Fitch (Short Term)	Fitch (Long Term)
Level 1 Trigger	A-1	F1	A
Level 2 Trigger	A-3	F2	BBB+
Level 3 Trigger	N/A	F3	BBB-

The specific action required to be taken by a Hedge Counterparty where it ceases to have the Requisite Ratings applicable to a particular trigger level is summarised below.

Level 1 Trigger

If a Hedge Counterparty (or, where a Hedge Counterparty is unrated, its guarantor) ceases to have the Requisite Ratings for the Level 1 Trigger, it must use its best endeavours to do one of the following within 30 calendar days of it ceasing to have the Requisite Ratings:

- (a) put in place a Collateral Agreement (as defined in the Hedge Agreement) under which it is required to post collateral in respect of its exposure under the relevant Hedge Agreement. The

amount of collateral required will be determined in accordance with the formula specified by the applicable Rating Agency as set out in the Hedge Agreement;

- (b) transfer all of its rights and obligations with respect to the Hedge Agreement to a replacement Hedge Counterparty approved by the Borrower (acting reasonably), provided that that replacement Hedge Counterparty has the Required Ratings or is otherwise acceptable to the Rating Agencies. ("**Required Ratings**" means that the short-term, unsecured and unsubordinated debt obligations of that entity are rated at least as high as A-1 by S&P and F1 by Fitch and that the long-term, unsecured and unsubordinated debt obligations of that entity are rated at least as high as A by Fitch);
- (c) procure that another person becomes a co-obligor or guarantor in respect of the Hedge Counterparty's obligations under the relevant Hedge Agreement, provided that that other person has the Required Ratings or is otherwise acceptable to the applicable Rating Agency; or
- (d) take such other action as is agreed between the Hedge Counterparty and the Rating Agencies.

Further, if a Hedge Counterparty's (or, where a Hedge Counterparty is unrated, its guarantor's) senior, unsecured and unsubordinated debt ceases to be rated at least A-2 (short term) and BBB+ (long term) by S&P, and that Hedge Counterparty is posting collateral pursuant to a Collateral Agreement as described in paragraph (a), above, it is required to have the monthly valuation of the Borrowers' exposure to it under the Hedge Agreements calculated by two independent third parties which would be eligible and would be willing to be transferees of that Hedge Counterparty's rights and obligations under the applicable Hedge Agreements. For the purpose of determining the amount of collateral the Hedge Counterparty is required to post, the higher of the two calculations by the independent third parties will be taken to be correct. The Hedge Counterparty may not obtain a valuation from an independent third party for this purpose more than four times in any twelve month period.

However, the Hedge Counterparty will be released from the obligation to take the above action if it regains the Requisite Ratings.

Level 2 Trigger

If a Hedge Counterparty (or, where a Hedge Counterparty is unrated, its guarantor) ceases to have the Requisite Ratings for the Level 2 Trigger as required by S&P, it must do one of the following within 10 calendar days of it ceasing to have the Requisite Ratings:

- (a) transfer all of its rights and obligations with respect to the Hedge Agreement to a replacement Hedge Counterparty approved by the relevant Borrower (acting reasonably) provided that such transfer will maintain the rating assigned to the Notes by S&P or restore it to the level it would have been had the Hedge Counterparty not ceased to have the Requisite Ratings;
- (b) procure that another person becomes a co-obligor or guarantor in respect of the Hedge Counterparty's obligations under the relevant Hedge Agreement, provided that such arrangement would maintain the rating assigned to the Notes by S&P or restore it to the level it would have been had the Hedge Counterparty not ceased to have the Requisite Ratings; and
- (c) take such other action as is agreed between the Hedge Counterparty and S&P.

If a Hedge Counterparty (or, where a Hedge Counterparty is unrated, its guarantor) ceases to have the Requisite Ratings for the Level 2 Trigger as required by Fitch, it must do one of the following within 30 calendar days.

- (a) transfer all of its rights and obligations with respect to the Hedge Agreement to a replacement Hedge Counterparty approved by the Borrower (acting reasonably) provided that replacement Hedge Counterparty has the Required Ratings and is domiciled in the same legal jurisdiction as the Hedge Counterparty or is otherwise acceptable to Fitch;
- (b) procure that another person becomes a co-obligor or guarantor in respect of the Hedge Counterparty's obligations under the relevant Hedge Agreement, provided that such co-obligor or guarantor has the Required Ratings and is domiciled in the same legal jurisdiction as the Hedge Counterparty or is otherwise acceptable to Fitch; or
- (c) take such other action as the Hedge Counterparty may agree with Fitch;
- (d) continue to post collateral under a Collateral Agreement until such time as the Hedge Counterparty takes any of the action specified in paragraphs (a), (b) or (c).

Again, however, the Hedge Counterparty will be released from its obligation to take the above action if it regains the Requisite Ratings.

Level 3 Trigger

If a Hedge Counterparty (or, where a Hedge Counterparty is unrated, its guarantor) ceases to have the Requisite Ratings for the Level 3 Trigger as required by Fitch, it is required to take the action specified in relation to the Level 2 Trigger above but without the option of posting collateral until such time as it takes one of the steps specified in paragraphs (a)–(c).

Failure to take action following a rating downgrade

If a Hedge Counterparty ceases to have the Requisite Ratings for a particular trigger level and fails to take the action described above, that failure will constitute an Additional Termination Event and will, subject to the Propco Facility Agreement, entitle the Borrower to terminate the Hedge Agreement. However, the Borrower may only so terminate a Hedge Agreement with the prior written consent of the Facility Agent and where either:

- (a) it has found a replacement counterparty willing to enter into new hedging arrangements on terms that reflect as closely as reasonably possible (as determined by the Facility Agent in its sole and absolute discretion) the economic, legal and credit terms of each transaction to be terminated; or
- (b) it would not be required to make any payment in respect of that termination (see "*Payment on Termination or Transfer*" below).

Transfer

Where a Borrower is entitled to procure a replacement Hedge Counterparty (other than as a result of a rating downgrade as described above), it may appoint another Lender, an affiliate of a Lender, or another bank or financial institution approved by the Facility Agent (acting reasonably) to be a replacement Hedge Counterparty (a "**New Counterparty**") by delivering an accession Letter to the Facility Agent duly signed by the New Counterparty. The New Counterparty will become a party to the Propco Facility Agreement when the Facility Agent executes the relevant accession letter.

Immediately following the accession of the New Counterparty, the existing Hedge Counterparty shall, transfer all of its rights and obligations under the Hedge Agreements to which it is a party to the New Counterparty.

Payment on Termination or Transfer

Any termination of the Hedge Agreements, or transfer of a Hedge Counterparty's rights and obligations to a replacement Hedge Counterparty will result in an Early Termination Amount (as defined in the Hedge Agreements) being payable by either the Borrower (or replacement Hedge Counterparty) to the Hedge Counterparty or by the Hedge Counterparty to the Borrower. This payment will be calculated pursuant to the close-out methodology in the 2002 ISDA Master Agreement and which party will be required to pay, and the quantum of any payment, will depend on the prevailing market conditions at the time the termination or transfer occurs.

Restructuring of swap transactions following Loan Final Maturity Date

If the Propco Loans are not repaid in full on the Loan Final Maturity Date, then, if any of the property subject to any Borrower Security is disposed of either by an Obligor (with or without the consent of the Facility Agent and/or the Lenders), or by the Borrower Security Trustee pursuant to the terms of any Borrower Security, the Hedge Counterparties will crystallise their mark-to-market exposure under all the Hedge Agreements. These amounts (each an "MTM Amount") will be determined under the Hedge Agreements in the same way that any Early Termination Amount would be calculated upon termination of the Hedge Agreements as described above. The MTM Amounts will be due and payable either by the Borrower to the Hedge Counterparty or by the Hedge Counterparty to the Borrower (depending on market conditions then prevailing) on the date that the first disposal of property occurs and will all rank ahead of the payment of interest and principal on any of the Propco Loans under the terms of the Propco Facility Agreement.

With effect from the date on which the MTM Amounts become due and payable, the outstanding swap transactions will be adjusted so that Termination Date for those transactions will be 18 months from the date the MTM Amounts become due and payable and the fixed rate payable by the Borrowers from that date will be the lower of the existing fixed rate and the market rate at which the Hedge Counterparty would enter into a swap on those terms with that Borrower.

Governing law

The Hedge Agreements are governed by English law.

SERVICING

The Master Servicer

Each of the Issuer, the Trustee, Theatre (Hospitals) No. 2, the Theatre (Hospitals) No. 2 Trustee and the Minority Senior Lenders (each according to their respective interests) will appoint Barclays Capital Mortgage Servicing Limited ("BCMSL") under the terms of a servicing agreement dated on or before the Closing Date (the "**Servicing Agreement**") as the initial Master Servicer and Special Servicer of the Whole Senior Loans and exercise the rights of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders (each as Senior Lenders) under the Finance Documents and the Intercreditor Agreements. The Master Servicer will perform the day-to-day servicing of the Whole Senior Loans and to exercise the rights of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders (each as Senior Lenders) under the Finance Documents and the Intercreditor Agreements. Following the occurrence of a Special Servicing Event (as defined below) the Special Servicer will commence servicing the relevant Specially Serviced Loan. The Master Servicer will continue to service other commercial mortgage loans in addition to the Whole Senior Loans under the Finance Documents.

Servicing of the Whole Senior Loans

Servicing procedures will include monitoring compliance with and administering the options available to each Borrower under the terms and conditions of the Propco Facility Agreement. The Master Servicer and (where applicable) the Special Servicer shall take all measures it deems necessary or appropriate in its due professional discretion to administer and collect the Whole Senior Loans and in exercising its obligations and discretions under the Servicing Agreement in its capacity as agent of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders. Each of the Master Servicer and the Special Servicer must act in accordance with the following requirements and, in the event that the Master Servicer or Special Servicer considers there to be a conflict between them, in the following priority:

- (a) all applicable legal and regulatory requirements;
- (b) the terms of the applicable Finance Documents and the Intercreditor Agreements in respect of the Whole Senior Loans;
- (c) any covenants or restrictions contained in the Servicing Agreement;
- (d) the directions of the Trustee and the Theatre (Hospitals) No. 2 Trustee (if any) which can only be given after the earlier of (i) any deferral of interest on the Class B Notes pursuant to Condition 16.1 (*Subordination by Deferral*) or any deferral of interest on the Class B Theatre (Hospitals) No. 2 Notes pursuant to the terms and conditions of the Theatre (Hospitals) No. 2 Notes; and (ii) the Issuer Security becoming enforceable and a Note Enforcement Notice having been delivered to the Issuer by the Trustee or the issuer security under the Theatre (Hospitals) No. 2 Securitisation becoming enforceable and a note enforcement notice having been delivered to Theatre (Hospitals) No. 2 by the Theatre (Hospitals) No. 2 Trustee (the earlier of (i) and (ii) being the "**Trustee Control Trigger**") and *provided that*, the Master Servicer or, as the case may be, the Special Servicer shall only be obliged to act in accordance with the directions of the Trustee and the Theatre (Hospitals) No. 2 Trustee in circumstances where it receives non-conflicting directions from both the Trustee and the Theatre (Hospitals) No. 2 Trustee;;
- (e) the Servicing Standard being the maximisation of recovery of funds taking into account:
 - (i) the likelihood of recovery of amounts due in respect of that Whole Senior Loan;

- (ii) the timing of recovery;
- (iii) the costs of recover; and
- (iv) the interests of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders (taken as a whole),

giving due and careful consideration to customary and usual standards of practice of a reasonably prudent commercial mortgage lender servicing loans similar to the Whole Senior Loans in the United Kingdom and without regard to any fees or other compensation to which it is entitled, or the ownership by it or any of its affiliates of an interest in the Notes, the Theatre (Hospitals) No. 2 Notes, any Junior Loan or Hedge Agreements or any relationship the Master Servicer or the Special Servicer or any of their respective affiliates or any other person may have with any Borrower, Obligor or any other party to the Finance Documents or the Intercreditor Agreements. The Relevant Servicer must at all times act in accordance with the Finance Documents and the Intercreditor Agreements save where to do so would conflict with any applicable legal or regulatory requirements.

Pursuant to the terms of the Trust Deed, the Trustee will not be obliged to give any direction to the Relevant Servicer under the terms of the Servicing Agreement unless it has been indemnified and/or secured to its satisfaction.

Appointment of the Special Servicer

The Master Servicer or the Special Servicer, as applicable, will promptly give notice to, amongst others, the Issuer, the Trustee, the Cash Manager, the Operating Adviser, the Rating Agencies, the Minority Senior Lenders and the Special Servicer (where applicable) of the occurrence of any Special Servicing Event in respect of a Whole Senior Loan. Upon the delivery of such notice, that Whole Senior Loan will become a "**Special Serviced Loan**".

A "**Special Servicing Event**" in respect of a Whole Senior Loan will be the occurrence of any of the following:

- (a) a payment default occurring with regard to any payment due on the maturity of the relevant Loan (taking into account any permitted extensions to its maturity);
- (b) a scheduled payment due and payable in respect of the relevant Whole Senior Loan being delinquent for more than 60 days past its due date;
- (c) insolvency or bankruptcy proceedings being commenced in respect of the relevant Borrower;
- (d) in the Master Servicer's opinion a breach of a material covenant under the Propco Facility Agreement occurring or, to the knowledge of the Master Servicer, being likely to occur, and in the Master Servicer's opinion such breach is not likely to be cured within 30 days of its occurrence;
- (e) any relevant Obligor notifying the Master Servicer, Special Servicer, the Issuer, Theatre (Hospitals) No. 2, the Minority Senior Lenders or the Trustee in writing of its inability to pay its debts generally as they become due, its entering into an assignment for the benefit of its creditors or its voluntary suspension of payment of its obligations; or
- (f) any other Loan Event of Default occurring that, in the good faith and reasonable judgment of the Master Servicer, materially impairs or could materially impair or jeopardise the Borrower Security for the relevant Whole Senior Loan or the value thereof as Borrower Security for that

Whole Senior Loan and the ability of a Borrower to satisfy its obligations in respect of the relevant Whole Senior Loan.

Upon a Whole Senior Loan becoming a Specially Serviced Loan, actions in respect of the relevant Whole Senior Loan will be undertaken by the Special Servicer except where otherwise provided.

Collection and Enforcement procedures

The Master Servicer will as permitted by and in accordance with the Propco Facility Agreement (as agent for the Issuer) collect all payments due under or in connection with the Whole Senior Loans.

The Master Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Whole Senior Loans. On the occurrence of a Loan Event of Default, the Master Servicer or, if the Whole Senior Loan is a Specially Serviced Loan, the Special Servicer (each as agent for the Issuer) will implement enforcement procedures which meet the requirements of the Servicing Standard and the Servicing Agreement. These procedures may involve the deferral of formal enforcement procedures such as the appointment of an LPA Receiver or an administrator and may involve the restructuring of a Whole Senior Loan by the amendment or waiver of certain of the provisions. Any such restructuring will have to comply with the provisions of the Servicing Agreement and, where applicable, the Intercreditor Agreement.

In any event, the Relevant Servicer must, if it has not already done so within 10 Note Business Days of the occurrence of a Material Default, a Loan Event of Default under Clause 24.10 (*Occupational Leases*) of the Propco Facility Agreement or a Loan Event of Default under Clause 24.21 (*Hedge Documents*) of the Propco Facility Agreement (*provided that*, in each case, such Material Default or Loan Event of Default is continuing), instruct the Borrower Security Trustee to take Loan Enforcement Action pursuant to the terms of the Finance Documents and the Intercreditor Agreements.

Amendments to the Finance Documents and the Intercreditor Agreements

The Master Servicer or the Special Servicer, as applicable, (as agent for the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders) may (but will not be obliged to) in accordance with the Servicing Standard agree to any request by a Borrower and/or an Obligor, as applicable, to vary, waive or amend the terms and conditions of the relevant Finance Document or relevant Intercreditor Agreement, *provided that*, the Relevant Servicer will only be permitted to agree to any such request for a waiver, variation or amendment of the Finance Documents or Intercreditor Agreements if the following conditions are satisfied:

- (a) the Trustee Control Trigger has not occurred;
- (b) neither the Issuer, Theatre (Hospitals) No. 1 nor a Minority Senior Lender will be required to make a further advance including, without limitation, any deferral of interest because of the relevant variation, waiver or amendment other than to the extent permitted by the terms of the Propco Facility Agreement;
- (c) the effect of such variation, amendment or waiver would not be to (i) extend the Loan Final Maturity Date; (ii) reduce or defer the amount of any payment of principal or reduce the rate of interest payable to the Senior Lenders pursuant to the terms of the Finance Documents and the Intercreditor Agreements; (iii) amend the priority or subordination of payments under the Intercreditor Agreements so as to adversely affect the interests of the Senior Lenders; (iv) amend the financial covenants contained in the Propco Facility Agreement, (v) amend the Loan Interest Payment Dates; (vi) reduce the rents payable by a Tenant under the Leases; (vii) amend

the terms of any Leases, including without limitation, the grounds upon which any Lease is expressed to be capable of early termination or forfeiture; or (viii) amend the definition (or the use, application or interpretation of such definition) of Material Default in the Intercreditor Agreement;

- (d) the effect of such variation, amendment or waiver would not be to release any Borrower Security other than, prior to the occurrence of a Loan Event of Default, as required to permit a disposal of a Property, a disposal of a Holdco's shares in a Borrower or a disposal of the Parent's shares in a Holdco in accordance with the terms of the Finance Documents; and
- (e) if BCMSL is not the Special Servicer, prior notice of any such amendment, variation or waiver is given to the Special Servicer.

If any of the conditions in paragraphs (a) to (e) above are not satisfied, the Relevant Servicer will, as soon as reasonably practicable following receipt of such request, notify the Issuer, the Trustee, Theatre (Hospitals) No. 2 and the Theatre (Hospitals) No. 2 Trustee in writing of the request for such amendment, variation or waiver. The Issuer will be required, within 5 Note Business Days of receipt of such notice from the Relevant Servicer, to give notice of any such request (together with a request for the requisite consent) to the holders of the Most Senior Class of Notes then outstanding and Theatre (Hospitals) No. 2 will be similarly obliged to give such notice under the Theatre (Hospitals) 2 Securitisation.

The Relevant Servicer will not be permitted to agree to the amendment, variation or waiver unless it is instructed to do so by both the Trustee and the Theatre (Hospitals) No. 2 Trustee within 10 Note Business Days of notice being delivered to the holders of the Most Senior Class of Notes then outstanding. The Trustee will only instruct the Relevant Servicer to consent to such amendment, variation or waiver if directed in writing to do so by the holders of not less than 50.1 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding and, similarly, the Theatre (Hospitals) No. 2 Trustee will only instruct the Relevant Servicer to consent to such amendment, variation or waiver if directed in writing to do so by the holders of not less than 50.1 per cent. of the aggregate principal amount outstanding of the most senior class of Theatre (Hospitals) No. 2 Notes then outstanding.

Property Protection Advances

The terms of the Propco Facility Agreement require the Borrowers to comply with their obligations to make certain payments to third parties such as insurers, landlords and swap providers and other third parties in connection with operating expenses. Failure by a Borrower to make such payments when due could result in the arrangements with the third party being terminated, which could jeopardise the interests of the Issuer. Where (a) the Propco Facility Agreement permits a Lender, the Facility Agent or the Borrower Security Trustee to make any such third party payments on the relevant Borrower's behalf and requires the relevant Borrower to reimburse the Lender, the Facility Agent or, as the case may be, the Borrower Security Trustee for any payments so made and (b) the Relevant Servicer determines that it would be in the interests of the Issuer and Theatre (Hospitals) No. 2 to make the payment, the Relevant Servicer may arrange for the payment, directly to the third party, of the amount due.

The Relevant Servicer will notify the Cash Manager of the amount of such shortfall and the Issuer will make a property protection advance in an amount equal to its *pro rata* proportion (*vis a vis* Theatre (Hospitals) No. 2) of such shortfall subject to the terms of the Issuer Transaction Documents (any such payment being a "**Property Protection Advance**"). Upon receipt of such notice, the Cash Manager will

make a Property Protection Drawing in an amount equal to the required Property Protection Advance in accordance with the terms of the Liquidity Facility Agreement (see "*Summary of the Issuer Transaction Accounts - Liquidity Facility Agreement*" above). To the extent that any Property Protection Advance cannot be funded from the proceeds of any Property Protection Drawing the Relevant Servicer may (in its sole discretion), make all or part of the payment to the third party using its own funds in which case such amounts will be repaid by the Issuer from Available Issuer Income on the Note Payment Date immediately following the date on which such Property Protection Advance is made together with interest thereon at a rate of one per cent. per annum over the base lending rate, from time to time, of Barclays Bank PLC or such United Kingdom clearing bank as the Master Servicer or the Special Servicer, as the case may be, and the Trustee may agree. To the extent that any Property Protection Advance cannot be funded from the proceeds of any Property Protection Drawing and the Relevant Servicer does not want to fund all or part of such advance using its own funds, and such Property Protection Advance is to be made on a Note Payment Date prior to the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager will use Available Issuer Income to the extent of the Issuer's *pro rata* proportion of any shortfall, in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments or the Issuer Post-Enforcement Priority of Payments.

In determining whether or not the Issuer or the Relevant Servicer should make a Property Protection Advance, the Relevant Servicer will be required to take into account whether the Whole Senior Loans will generate sufficient income and/or have a sufficiently high value to repay all amounts due under the Whole Senior Loans and any amounts in respect of the Property Protection Advance (a "**Recoverability Determination**"). In making a Recoverability Determination the Relevant Servicer must have regard to, among other things, the value of the relevant Properties, the amount of any proposed Property Protection Advance, the amount of any costs if the Property Protection Advance were not made (including swap termination amounts) and the cost and timing of any refinancing or potential refinancing. The Recoverability Determination will not necessarily be the determining factor in whether a Property Protection Advance is to be made.

The Relevant Servicer shall (in accordance with the Servicing Standard, but subject to the Relevant Servicer determining in its sole discretion if its own funds are to be used) exercise its discretion in respect of whether to make a Property Protection Advance having weighed up the Recoverability Determination against the potential cost or loss to the Issuer of not making such an advance.

Hedge Protection Advances

The terms of the Finance Documents require the Borrowers to comply with their obligations to make certain payments to the Hedge Counterparties. Failure by a Borrower to make such payments when due could result in the Hedge Agreements being terminated, which could jeopardise the interests of the Issuer. Where the Relevant Servicer determines that it would be in the interests of the Issuer and Theatre (Hospitals) No. 2 to make the payment, the Relevant Servicer may arrange for the payment, directly to the Hedge Counterparty, of the amount due.

The Relevant Servicer will notify the Cash Manager of the amount of such shortfall and the Issuer will make a hedge protection advance in an amount equal to its *pro rata* proportion (*vis a vis* Theatre (Hospitals) No. 2) of such shortfall subject to the terms of the Issuer Transaction Documents (any such payment being a "**Hedge Protection Advance**"). Upon receipt of such notice, the Cash Manager will make a Hedge Protection Drawing in an amount equal to the required Hedge Protection Advance in accordance with the terms of the Liquidity Facility Agreement (see "*Summary of the Issuer Transaction Accounts - Liquidity Facility Agreement*" above). To the extent that any Hedge Protection Advance cannot be funded from the proceeds of any Hedge Protection Drawing the Relevant Servicer may (in its

sole discretion), make all or part of the payment to the third party using its own funds in which case such amounts will be repaid by the Issuer from Available Issuer Income on the Note Payment Date immediately following the date on which such Hedge Protection Advance is made together with interest thereon at a rate of one per cent. per annum over the base lending rate, from time to time, of Barclays Bank PLC or such United Kingdom clearing bank as the Master Servicer or the Special Servicer, as the case may be, and the Trustee may agree. To the extent that any Hedge Protection Advance cannot be funded from the proceeds of any Hedge Protection Drawing and the Relevant Servicer does not want to fund all or part of such advance using its own funds, and such Hedge Protection Advance is to be made on a Note Payment Date prior to the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager will use Available Issuer Income to the extent of the Issuer's *pro rata* proportion of any shortfall, in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments or the Issuer Post-Enforcement Priority of Payments.

In determining whether or not the Issuer or the Relevant Servicer should make a Hedge Protection Advance, the Relevant Servicer will be required to take into account whether the Whole Senior Loans will generate sufficient income and/or have a sufficiently high value to repay all amounts due under the Whole Senior Loans and any amounts in respect of the Hedge Protection Advance (a "**Recoverability Determination**"). In making a Recoverability Determination the Relevant Servicer must have regard to, among other things, the value of the relevant Properties, the amount of any proposed Hedge Protection Advance, the amount of any costs if the Hedge Protection Advance were not made (including swap termination amounts) and the cost and timing of any refinancing or potential refinancing. The Recoverability Determination will not necessarily be the determining factor in whether a Hedge Protection Advance is to be made.

The Relevant Servicer shall (in accordance with the Servicing Standard, but subject to the Relevant Servicer determining in its sole discretion if its own funds are to be used) exercise its discretion in respect of whether to make a Hedge Protection Advance having weighed up the Recoverability Determination against the potential cost or loss to the Issuer of not making such an advance.

Servicer quarterly report and quarterly financial report

Pursuant to the Servicing Agreement, the Master Servicer (where applicable acting on information provided by the Special Servicer) will agree to deliver (i) to the Issuer, the Trustee, the Cash Manager, the Minority Senior Lenders, the Special Servicer (where necessary) and the Rating Agencies as soon as is reasonably practical after each Loan Interest Payment Date a servicing report in respect of the performance of the Whole Senior Loans and the Collections and containing information in respect of the Properties (to the extent such information is provided by the Borrowers) during the related Collection Period and (ii) to the Cash Manager one Note Business Day prior to each Note Calculation Date a financial report in respect of, among other things, the Collections. The Master Servicer will endeavour to comply with current market reporting standards in respect of commercial mortgages which have been securitised in the United Kingdom. The Cash Manager (on behalf of the Issuer) will, on each Note Calculation Date, provide or make available through its website (which is located at www.sf.citidirect.com) to the Trustee, for the benefit of, among others, each Noteholder, a statement to Noteholders. The statement to Noteholders shall be based upon information provided in the quarterly financial report by the Master Servicer and the Special Servicer in accordance with the Servicing Agreement.

Insurance

The Relevant Servicer will, as agent for the Issuer and the Minority Senior Lenders, monitor the arrangements for insurance, which relate to the Propco Facility Agreement and the Borrower Security

and will establish and maintain procedures to ensure that all Insurance Policies in respect of the Properties are renewed on a timely basis.

To the extent that the Issuer or the Minority Senior Lenders have power to do so under a policy of buildings insurance, the Relevant Servicer will, as soon as practicable after becoming aware of the occurrence of any event giving rise to a claim under such Insurance Policy, prepare and submit as agent of the Issuer and the Minority Senior Lenders, such claim on behalf of the Issuer in accordance with the terms and conditions of such Insurance Policy and with any requirements of the relevant insurer.

The Relevant Servicer will, as agent of the Issuer and the Minority Senior Lenders, use reasonable endeavours to procure that each Borrower complies with its obligations in respect of insurance in accordance with the terms of the Propco Facility Agreement. If the Relevant Servicer becomes aware that a Borrower has failed to pay premiums due under any policy of buildings insurance, the Relevant Servicer may, provided that the conditions specified under "*Property Protection Advances*" above are satisfied, make a Property Protection Advance and pay premiums due and payable under any policy of buildings insurance in order that the cover provided by such Insurance Policy does not lapse.

Upon receipt of notice that any policy of buildings insurance has lapsed or that any of the Properties 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 the Propco Facility Agreement, the Relevant Servicer, as agent of the Issuer and the Minority Senior Lenders, will arrange such insurance in accordance with the terms of the Propco Facility Agreement. Under the terms of the Propco Facility Agreement, the relevant Borrower is required to reimburse the Facility Agent for such costs of insurance. See also "*Risk Factors - Insurance*" above.

Fees

On each Note Payment Date, the Master Servicer will be entitled to receive a fee (exclusive of value added tax, if any) for servicing the Whole Senior Loans of 0.01 per cent. per annum of the principal balance outstanding of the Whole Senior Loans on the first day of the Loan Interest Period to which the relevant Note Payment Date relates (other than any Specially Serviced Loans) and a fee (exclusive of value added tax, if any) for reporting in respect of the Whole Senior Loans equal to 0.02 per cent. per annum, plus value added tax, if applicable, of the principal balance outstanding of the Whole Senior Loans on the first day of the Loan Interest Period to which the relevant Note Payment Date relates (together, the "**Servicing Fee**") and the Issuer will pay its *pro rata* share of such Servicing Fees in proportion to the amount the Senior Loans bear to the Whole Senior Loans (to the extent that such fees have not been discharged on behalf of the Issuer by the Borrowers under the terms of the Propco Facility Agreement). The Servicing Agreement will also provide for the Master Servicer to be reimbursed for all reasonable out-of-pocket expenses and charges (including any amount of such expenses and charges in respect of or which represents irrecoverable value added tax) properly incurred by the Master Servicer in the performance of its services under the Servicing Agreement. On each Note Payment Date the Issuer will pay to the Master Servicer all amounts due to the Master Servicer in respect of the Issuer's portion of such fees, costs and expenses, subject to the relevant Issuer Priority of Payments (see further "*Cashflows*").

Pursuant to the Servicing Agreement, if the Special Servicer is appointed in respect of any Whole Senior Loan, the Issuer will be required to pay to the Special Servicer its *pro rata* share of a fee (exclusive of value added tax, if any) (the "**Special Servicing Fee**") in the proportion the relevant Senior Loan bears to the relevant Whole Senior Loan, up to 0.25 per cent. per annum of the then principal balance outstanding of that Specially Serviced Loan, subject to the relevant Issuer Priority of Payments (see further "*Cashflows*") for a period commencing on the date the relevant Whole Senior Loan becomes a

Specially Serviced Loan and ending on the date on which the properties are sold on enforcement or, if earlier, the date on which that Whole Senior Loan is deemed to be a Corrected Loan.

A Whole Senior Loan will be deemed to be a "**Corrected Loan**" and the servicing in respect of such Whole Senior Loan will pass to the Master Servicer and it will cease to be a Specially Serviced Loan if any of the following occurs with respect to the circumstances identified (and provided that no other Special Servicing Event then exists with respect to that Whole Senior Loan):

- (a) with respect to the circumstances described in items (b) in the definition of Special Servicing Event, the relevant Borrower has made one timely quarterly payment in full;
- (b) with respect to the circumstances described in items (c) in the definition of Special Servicing Event such proceedings are terminated;
- (c) with respect to the circumstances described in item (d) in the definition of Special Servicing Event such circumstances cease to exist in the good faith and reasonable judgment of the Special Servicer;
- (d) with respect to the circumstances described in item (e) in the definition of Special Servicing Event the relevant Obligor ceases to claim an inability to pay its debts or suspend the payment of obligations or the termination of any assignment for the benefit of its creditors; or
- (e) with respect to the circumstances described in item (f) in the definition of Special Servicing Event such default is cured.

The Special Servicing Fee will accrue on a daily basis over such period and will be payable on each Note Payment Date commencing with the Note Payment Date following the date on which such period begins and ending on the Note Payment Date following the end of such period.

In addition to the Special Servicing Fee, the Special Servicer will be entitled to a fee (exclusive of value added tax, if any) (the "**Liquidation Fee**") from the Senior Lenders severally in respect of their *pro rata* share in respect of the Whole Senior Loans equal to an amount of up to a maximum of 1.00 per cent. of the aggregate of (i) the proceeds (net of all costs and expenses (including any swap breakage costs) realised as a result of the default of the Whole Senior Loan, enforcement and sale), together with (ii) any swap breakage gains, in each case arising on the sale of any Property or Properties while the relevant Whole Senior Loan was a Specially Serviced Loan.

In addition to the Special Servicing Fee and the Liquidation Fee (if any) in respect of the Whole Senior Loans, the Special Servicer will be entitled to receive a fee (exclusive of value added tax, if any) (the "**Restructuring Fee**") from the Senior Lenders severally in respect of their *pro rata* share in consideration of providing services in relation to any Specially Serviced Loan to be payable at such time as the Whole Senior Loan is deemed to be a Corrected Loan. When a Whole Senior Loan is deemed to be a Corrected Loan, the Restructuring Fee will be equal to an amount up to a maximum of 1.00 per cent. of each collection of principal and interest received on the relevant Whole Senior Loan (but only, in relation to collections of principal, if and to the extent that such principal received reduces the amount of principal outstanding under the relevant Whole Senior Loan to below the amount of principal outstanding under the relevant Whole Senior Loan at the date it was first deemed to be corrected) for so long as it continues to be deemed corrected. The Restructuring Fee with respect to the relevant Whole Senior Loan will cease to be payable if the relevant Whole Senior Loan is no longer deemed to be corrected, but will again become payable if and when the relevant Whole Senior Loan is again deemed to be corrected to the Special Servicer appointed in respect of that Whole Senior Loan at

the date on which it is deemed to be corrected again. Non-payment of the Restructuring Fee will not entitle the Special Servicer to terminate the arrangements under the Servicing Agreement.

The Special Servicer, to the extent permitted by the Propco Facility Agreement (including any amendments to the Propco Facility Agreement), may seek to recover any Restructuring Fees and Liquidation Fees from the relevant Borrower.

The Liquidation Fee and the Restructuring Fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Issuer Priority of Payments and shall, in any event, be limited to its *pro rata* share thereof (see further "*Cashflows*").

Removal or resignation of the Master Servicer or the Special Servicer

The appointment of the Master Servicer or the Special Servicer, as applicable, in each case as agent for the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders may be terminated by the Trustee (with the consent of the Theatre (Hospitals) No. 2 Trustee) or the Issuer (with the consent of the Trustee and the Theatre (Hospitals) No. 2 Trustee) upon written notice to the Master Servicer or the Special Servicer, as the case may be, on the occurrence of certain events (each a "**Servicer Termination Event**"), including if:

- (a) the Master Servicer or the Special Servicer, as applicable, fails to pay or to procure the payment of any amount due and payable by it and either (i) such payment is not made within five Note Business Days of such time or (ii) if the Master Servicer's or the Special Servicer's, as applicable, failure to make such payment was due to inadvertent error, such failure is not remedied for a period of ten Note Business Days after the Master Servicer or the Special Servicer, as applicable, becomes aware of the default;
- (b) subject as provided further in the Issuer Transaction Documents, the Master Servicer or the Special Servicer, as applicable, fails to comply with any of its covenants and obligations under the Servicing Agreement which in the opinion of the Trustee (or the Theatre (Hospitals) No. 2 Trustee) is materially prejudicial to the interests of the Noteholders and such failure either is not remediable or is not remedied for a period of 30 Note Business Days after the earlier of the Master Servicer or the Special Servicer, as the case may be, becoming aware of such default and delivery of a written notice of such default being served on the Master Servicer or the Special Servicer, as applicable, by the Issuer or the Trustee (or Theatre (Hospitals) No. 2 or the Theatre (Hospitals) No. 2 Trustee, as the case may be);
- (c) at any time the Master Servicer or the Special Servicer, as applicable, fails to obtain or maintain the necessary licenses or regulatory approvals enabling it to continue servicing any Whole Senior Loan; or
- (d) the occurrence of an Insolvency Event in relation to the Master Servicer or the Special Servicer.

In addition, if the Issuer is so instructed by the Controlling Creditor the Issuer will terminate the appointment of the person then acting as special servicer of a Whole Senior Loan and, subject to certain conditions, appoint a qualified successor thereto (such successor to pay any costs incurred by the Issuer in replacement of the existing special servicer), *provided that*, any such appointment of a substitute or successor special servicer by the Issuer will not be effective until Theatre (Hospitals) No. 2 has consented to the appointment of such substitute or successor special servicer (as directed by the controlling creditor of the Theatre (Hospitals) No. 2 Notes (as determined in accordance with the terms and conditions thereof)). There may be different special servicers appointed in respect of the Whole Senior Loans.

In the event that the controlling creditor of Theatre (Hospitals) No. 2 instructs Theatre (Hospitals) No. 2 (in accordance with the terms and conditions of the Theatre (Hospitals) No. 2 Notes) to exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of the relevant Whole Senior Loan, such appointment will not be effective until the Issuer has consented to the appointment of such substitute or successor special servicer. The Issuer shall not consent to such appointment unless instructed to do so by a Qualifying Resolution of the Adjusted Class of Noteholders which is the Controlling Creditor at that time.

"Controlling Creditor" means, at any time:

- (a) the holders of the most junior Adjusted Class of Notes for which the Related Unadjusted Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
- (b) if no Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Adjusted Class of Notes.

Prior to or contemporaneously with any termination of the appointment of the Master Servicer or the Special Servicer, as the case may be, it will first be necessary for the Issuer and the Trustee (each according to its respective interests) to appoint a substitute master servicer or substitute special servicer, as the case may be, approved by the Trustee and the Theatre (Hospitals) No. 2 Trustee.

In addition, subject to the fulfilment of certain conditions including, without limitation, that the Trustee and the Theatre (Hospitals) No. 2 Trustee consent in writing and a substitute master servicer or substitute special servicer, as the case may be, has been appointed, the Master Servicer or Special Servicer, as the case may be, both as agent of the Issuer may voluntarily resign by giving not less than three months' notice of termination to, amongst others, the Issuer and the Trustee.

Any such substitute master servicer or substitute special servicer (whether appointed upon a termination of the appointment of, or the resignation of, the Master Servicer or Special Servicer, as the case may be) will be required to have experience of servicing loans secured on commercial mortgage properties in England and Scotland and will enter into an agreement on substantially the same terms in all material aspects as the Servicing Agreement, taking into account also what is market standard for such agreements in similar transactions at the time. Under the terms of the Servicing Agreement, the appointment of a substitute master servicer or substitute special servicer, as the case may be, will be subject to the Rating Agencies confirming that the appointment will not adversely affect the then current ratings (if any) of any Class of Notes unless otherwise agreed by Qualifying Extraordinary Resolutions of each Adjusted Class of Noteholders in accordance with the Conditions. Any costs incurred by the Issuer as a result of appointing any such substitute master servicer or substitute special servicer shall, save as specified above, be paid by the Master Servicer or Special Servicer (as the case may be) whose appointment is being terminated. The fee payable to any such substitute master servicer or substitute special servicer in each case acting as agent for the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders should not, without the prior written consent of the Trustee, exceed the amount payable to the Master Servicer or Special Servicer, as applicable, pursuant to the Servicing Agreement and in any event should not exceed the rate then customarily payable to providers of commercial mortgage loan servicing services.

Forthwith upon termination of the appointment of, or the resignation of, the Master Servicer or Special Servicer, the Master Servicer or Special Servicer (as the case may be) must deliver any documents and all books of account and other records maintained by the Master Servicer or Special Servicer relating to

the Whole Senior Loans and/or the Borrower Security to, or at the direction of, the substitute master servicer or substitute special servicer and shall take such further action as the substitute master servicer or substitute special servicer, as the case may be, shall reasonably request to enable the substitute master servicer or the substitute special servicer, as the case may be, to perform the services due to be performed by the Master Servicer or the Special Servicer under the Servicing Agreement.

Appointment of the Operating Adviser

The Controlling Creditor may elect to appoint a representative (the "**Operating Adviser**") to represent its interests. The Special Servicer must notify the Operating Adviser prior to doing any of the following in relation to a Specially Serviced Loan:

- (a) the appointment of a receiver or administrator or similar actions to be taken in relation to any Whole Senior Loan;
- (b) the amendment, waiver or modification of any term of any Finance Documents which, in the opinion of the Special Servicer, affects the amount payable by the relevant Borrower or the time at which any amounts are payable, or any other material term of the relevant Finance Documents; and
- (c) the release of any part of any Borrower Security, or the acceptance of substitute or additional Borrower Security other than in accordance with the terms of the Propco Facility Agreement.

Before taking any action in connection with the matters referred to in paragraphs (a) to (c) above, the Special Servicer must take due account of the advice and representations of the Operating Adviser, although if the Special Servicer determines that immediate action is necessary to fulfil its other obligations under the Servicing Agreement, the Special Servicer may take whatever action it considers necessary without waiting for the Operating Adviser's response. If any Operating Adviser objects in writing to the proposed actions to be taken within ten Note Business Days after being notified of such proposed action and after being provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Operating Adviser regarding any further steps the Operating Adviser considers should be taken in the interests of the Controlling Creditor (but again, without prejudice to the Special Servicer's obligation to act in accordance with the other provisions of the Servicing Agreement). The Special Servicer will not be obliged to take account of the advice of the Operating Adviser if the Special Servicer has notified the Operating Adviser in writing of the actions that the Special Servicer proposes to take with respect to the Specially Serviced Loan and, for 30 days following the first such notice, the Operating Adviser has objected to all of those proposed actions and has failed to suggest any alternative actions that the Special Servicer considers to be in accordance with the Servicing Agreement.

The terms of the Theatre (Hospitals) No. 2 Securitisation will also grant the controlling creditor of Theatre (Hospitals) No. 2 the right to appoint an operating adviser under the same terms as described above in respect of the Controlling Creditor of the Issuer and therefore, in the event that an operating adviser is appointed under the Theatre (Hospitals) No. 2 Securitisation, the Special Servicer will be obliged to take due account of the advice and representations of such operating adviser in addition to any Operating Adviser appointed by the Controlling Creditor of the Issuer.

The action that may be taken by the Master Servicer or the Special Servicer (as agent of the Issuer, Theatre (Hospitals) No. 2 and the Minority Senior Lenders) will be subject to the rights of the Junior Lenders and the Hedge Counterparties under the Intercreditor Agreement. (See above "*The Propco Facility Agreement and the Borrower Security – Intercreditor Arrangements*").

Delegation by the Master Servicer and Special Servicer

The Master Servicer or the Special Servicer, as applicable, may, after giving written notice to, amongst others, the Trustee and the Rating Agencies, delegate or subcontract the performance of any of its obligations or duties under the Servicing Agreement. No such notice shall be required in connection with the engagement on a case-by-case basis by the Master Servicer or Special Servicer, as applicable, of any solicitor, valuer, surveyor, estate agent, property management agent or other professional adviser in respect of services normally provided by such persons in connection with the performance by the Master Servicer or the Special Servicer, as applicable, of any of their respective functions or exercise of its power under the Servicing Agreement. Upon the appointment of any such delegate or subcontractor the Master Servicer or the Special Servicer, as the case may be, will nevertheless remain responsible for the performance of those sub-delegated duties to the Issuer and the Trustee.

Governing Law

The Servicing Agreement will be governed by English law.

SUMMARY OF THE ISSUER TRANSACTION DOCUMENTS

Loan Sale Documents

Introduction

Pursuant to the terms of the Loan Sale Documents, the Sellers will transfer by way of novation, and the Issuer will acquire, the right, title, interest and benefit of the Sellers in the Loan Sale Assets. Consequently, as and from the Closing Date, the Issuer will be the sole lender under the Senior Loans (in such capacity, the Senior Lender pursuant to the terms of the Propco Facility Agreement).

Pursuant to the terms of the Loan Sale Agreement, the Issuer will give written notice of the transfer of the Senior Loans to the Borrowers.

The purchase consideration payable by the Issuer to the Sellers on the Closing Date pursuant to the Loan Sale Agreement will be equal to the aggregate of £396,000,000 (which will equal the principal amount outstanding of the Senior Loans on the Closing Date).

On each Note Payment Date prior to the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full and on any Note Business Day after the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Issuer will pay to the Sellers (or their assignees), to the extent that the Issuer has funds, an amount by way of Deferred Consideration.

"**Deferred Consideration**" shall, on any Note Payment Date, be the balance of Adjusted Available Issuer Income after the application of items (a) to (p) (inclusive) of the Issuer Pre-Enforcement Revenue Priority of Payments or items (a) to (n) (inclusive) of the Issuer Post-Enforcement Priority of Payments, as appropriate. In addition, all Prepayment Fees received by the Issuer together with any residual funds held by or on behalf of the Issuer not comprising the amounts described above (if any) and required to be so applied pursuant to the Cash Management Agreement, will be applied in payment of Deferred Consideration to the Sellers or their assignees. See further "*Cashflows*" below.

The amount of any payment to be made by the Issuer to the Sellers (pursuant to the terms of the Loan Sale Agreement) on account of interest accrued prior to the sale of the Senior Loans to the Issuer shall be recorded by the Facility Agent and paid to the Sellers on the succeeding Note Payment Date following the Closing Date, in accordance with the relevant Issuer Payment Priorities.

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 would normally make in relation to the purchase of the Senior Loans. 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 any party with respect to the provisions of the Finance Documents or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of the Loan Sale Assets.

In relation to all of the foregoing matters concerning the Loan Sale Assets and the circumstances in which the Senior Loans were made to the Borrowers prior to the novation of the Senior Loans to the Issuer, the Issuer and the Trustee will rely entirely on the representations and warranties to be given by the Sellers to the Issuer and the Trustee which are contained in the Loan Sale Agreement and the reports relating to the Senior Loans of which the Issuer and the Trustee have the benefit. Following its novation and purchase of the Loan Sale Assets, the Issuer will have the benefit of the representations and warranties given by, amongst others, the Borrowers pursuant to the terms of the Propco Facility

Agreement.

Subject to the agreed exceptions, materiality qualifications and, where relevant, the general principles of law limiting the same, the representations and warranties to be given by the Sellers under the Loan Sale Agreement will include:

- (a) the obligations of the Obligors under the Finance Documents constitute the legally valid and binding obligations of, and being enforceable against, the relevant Obligors;
- (b) the charges by way of legal mortgage, charge or standard security, as applicable, in respect of the Properties granted under the relevant Borrower Security Documents constitute legally valid, binding and subsisting first priority mortgages or standard securities over the relevant Properties;
- (c) the fixed charges in respect of the Properties granted under the relevant Borrower Security Documents constitute legally valid, binding and subsisting first priority fixed charges of the relevant Properties (subject to any prior-ranking Security Interests required by law and to the mortgages referred to in paragraph (b)(i) above, but not otherwise) (a "Security Interest" being any mortgage, standard security, sub-standard security, pledge (including any pledge operating by law), lien, charge, assignment, assignation, or security interest or other agreement or arrangement having the effect of conferring security and "Security Interests" shall be construed accordingly);
- (d) the Facility Agent has, since the utilisation date in respect of each Senior Loan, kept or caused to be kept full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to the Senior Loans and which are complete and accurate in all material respects. All such accounts, books and records are up to date as at the Closing Date and are held by or to the order of the Facility Agent;
- (e) the relevant Borrower had, subject to matters disclosed in the Certificate of Title in respect of each Property, a good and marketable title to the relevant Property, in each case as at the date of the relevant Borrower Security Document or at the date the relevant property became subject to the security in the relevant Borrower Security Document.
- (f) each Property was, as at the date of the relevant Borrower Security Document or at the date the relevant Property became subject to the security in the relevant Borrower Security Document, held by the relevant Borrower free (save for any Borrower Security) from:
 - (i) financial encumbrances (save for pre-existing charges released on the utilisation date with respect to the relevant Senior Loan) which would rank prior to the Borrower Security, save as disclosed in the relevant Certificate of Title; and
 - (ii) any encumbrances which would individually or in the aggregate materially or adversely affect the relevant Borrower's title or the value of that Property for mortgage purposes set out in the Property Valuation Report, save as disclosed in the relevant Certificate of Title;
- (g) the Borrower Security Trustee is the sole legal owner and the relevant Seller a beneficiary of the security trusts (in each case subject to the interest of the Finance Parties and any necessary registrations) of each legal mortgage, charge or standard security granted under the Borrower Security Documents, free and clear of all encumbrances, overriding interests (other than those to which each Property is subject), claims and equities and, save as disclosed in the relevant

Certificate of Title, at the time of completion of the relevant mortgage, charge or standard security, there were no adverse entries of encumbrances or applications for adverse entries of encumbrances against any title at the Land Registry or the Registers of Scotland to any relevant Property which would rank prior to the Borrower Security Trustee's or the relevant Seller's interests in the relevant mortgage, charge or standard security;

- (h) the relevant Seller is entitled to transfer and assign its interests in the Propco Facility Agreement and the Borrower Security and its other rights as lender under the Finance Documents to the Issuer pursuant to the Loan Sale Documents;
- (i) prior to the utilisation date in relation to each Senior Loan:
 - (i) the Sellers commissioned a due diligence procedure which initially or after further investigation disclosed nothing which would cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the making of that Senior Loan on the terms of the Propco Facility Agreement;
 - (ii) the Sellers (having made all enquiries that would be made by a reasonably prudent lender of money secured on commercial property) was not aware of any matter or item affecting the title of the relevant Borrower to any part of the Borrower Security which would cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the making of that Senior Loan on the terms of the Propco Facility Agreement;
 - (iii) the Sellers made available a summary of the relevant Certificates of Title to the Valuer; and
 - (iv) the Sellers obtained the Certificates of Title, none of which showed any adverse entries, or, if any such report did reveal any adverse entry, such entry would not cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the making of that Senior Loan on the terms of the Propco Facility Agreement.
- (j) immediately prior to advancing each Senior Loan, the relevant Property or Properties charged as Borrower Security were valued for the Sellers by a qualified surveyor or valuer;
- (k) prior to the utilisation date in relation to each Senior Loan, when advised by the Valuer that an environmental report was required, an environmental consultant conducted an environmental survey of the relevant Property or Properties. The results of such environmental survey would, as at the relevant utilisation date, have been acceptable to a reasonably prudent lender of money secured on commercial property and have been taken into account in the preparation of the Valuation;
- (l) to the best of the knowledge and belief of the Sellers:
 - (i) (having made no investigation of the relevant title) the Valuation was not negligently or fraudulently undertaken by the Valuer; and
 - (ii) (as a commercial lender only and not, for the avoidance of doubt, as a valuer) the Valuation did not fail to disclose any fact or circumstance that if disclosed would have caused the Sellers, acting as a reasonably prudent lender of money secured on commercial property, to decline to advance the Senior Loans on the terms of the Propco Facility Agreement.

- (m) the Sellers are not aware (from any information received by it in the course of administering or acquiring the Senior Loans without further inquiry) of any circumstances giving rise to a material reduction in the value of any Property since the relevant utilisation date (other than market forces affecting the values of properties comparable to the relevant Property in the area where the relevant Property is located);
- (n) to the best of the knowledge and belief of the Sellers (having made no investigation of the relevant title) no Certificate of Title was negligently or fraudulently prepared by the solicitors who prepared the same;
- (o) to the best of the knowledge and belief of the Sellers, having used reasonable endeavours to ensure the same, each of the Properties is insured as required by the terms of the Propco Facility Agreement.
- (p) the Sellers have not received and (so far as the Sellers are aware) the Borrower Security Trustee has not received written notice that any Insurance Policy is about to lapse on account of the failure by the relevant entity maintaining such insurance to pay the relevant premiums;
- (q) the Sellers are not aware of any material outstanding claim in respect of any Insurance Policy;
- (r) the Sellers have performed in all material respects all of its obligations under or in connection with the Senior Loans and, the Sellers have not received notice that, any Obligor has taken or has threatened to take any action against the Sellers or the Borrower Security Trustee for any material failure on the part of the Sellers or the Borrower Security Trustee to perform any such obligations;
- (s) there is no monetary default, breach or violation under any Senior Loan and the Sellers is not aware of:
 - (i) any other default, breach or violation that materially and adversely affects the value of any Senior Loan or Borrower Security which has not been remedied, cured or waived (but only in a case where a reasonably prudent lender of money secured on commercial property would grant such a waiver);
 - (ii) any outstanding default, breach or violation by any Borrower under the relevant Senior Loan or Borrower Security that materially and adversely affects the value of any Senior Loan or Borrower Security; or
 - (iii) any outstanding event which, with the giving of notice or lapse of any applicable grace period, would constitute such a default, breach or violation that materially and adversely affects the value of any Senior Loan or Borrower Security.
- (t) neither the Sellers nor the Borrower Security Trustee (so far as the Sellers are aware from information which it has received in the course of administering or acquiring an interest in the Senior Loans but without having made any specific or other enquiry) have received written notice of any default or forfeiture or irritancy of any Lease or of the insolvency of the Tenant of any Property which would, in any case, in the reasonable opinion of the Seller, render any Property unacceptable as security for the relevant Senior Loan;
- (u) in respect of any Property, the relevant Borrower's title to which is leasehold, the terms of the relevant leases are such that a reasonably prudent lender of money secured on commercial property would regard them as suitable for the purposes of forming part of the security for a loan of the nature of the Senior Loan relating to such Property;

- (v) as at the Closing Date:
- (i) any requisite consent of the landlord under any headlease and within a reasonable time from the Closing Date, any required notice to the landlord of the creation of the Borrower Security has been obtained or given and placed with the title deeds;
 - (ii) no headleases contain any provision whereby they may be forfeited on bankruptcy or liquidation of the lessee or on any other ground except breach of covenant of the Tenant's obligations or the non-payment of rent by the lessee;
 - (iii) all other terms of any headlease are such that, in light of all of the circumstances pertaining to the relevant Loan and its Related Security, a reasonably prudent lender of money secured on commercial property would regard such terms as acceptable for the purposes of comprising security for the relevant Loan; and
 - (iv) the Sellers have not received written notice of any material breaches of any headlease which have occurred or which remain unremedied.

The representations and warranties given by the Sellers in connection with the Loan Sale Assets pursuant to the terms of the Loan Sale Agreement are referred to as the "**Senior Loan Warranties**".

Remedy for Material Breach of a Senior Loan Warranty

In the event of a Material Breach of a Senior Loan Warranty, the Sellers will be required to notify the Issuer and the Trustee of the same and, within ninety (90) days (or such longer period as the Issuer or the Trustee may agree) of receipt of written notice of the relevant Material Breach of a Senior Loan Warranty from the Issuer or the Trustee, the Sellers shall be required to remedy the matter giving rise to such Material Breach of a Senior Loan Warranty, if such matter is capable of remedy. In certain circumstances, the Sellers may have an additional period, of up to 90 days, to cure the breach if the Sellers have taken action to cure the breach or non-conformity acceptable in the reasonable opinion of the Master Servicer (or Special Servicer, as the case may be) (as agent of the Issuer) and the Trustee, prior to the expiry of the initial 90 day period.

A "**Material Breach of a Senior Loan Warranty**" means a breach of a Senior Loan Warranty in any material respect where the facts and circumstances giving rise to that breach have, in the sole opinion of the Trustee, a material adverse effect on the interests of the Noteholders (to be determined in accordance with the Conditions and the Trust Deed). The Master Servicer (or Special Servicer, as the case may be) will be required to notify the Issuer, the Trustee and the Sellers if it knows or otherwise becomes aware of a breach of a Senior Loan Warranty.

If a Material Breach of Senior Loan Warranty is not capable of remedy or is not remedied within the specified period, the Sellers will be required to repurchase all of the relevant Senior Loan (and the related Borrower Security) on a date not later than the second Note Payment Date following the demand. The consideration payable in these circumstances will be an amount equal to the principal balance of the relevant Senior Loan then outstanding plus any accrued but unpaid interest thereon up to and including the date of repurchase or, if such date is not a Note Payment Date and a Note Enforcement Notice has not been served or the Notes have not otherwise become due and repayable in full, the immediately following Note Payment Date together with any additional costs and expenses incurred by the Issuer in respect of such Senior Loan as a direct result of the Material Breach of Senior Loan Warranty, or which have become irrecoverable as a result of it, and any amounts advanced by or on behalf of the Issuer in respect of the relevant Senior Loan as a Property Protection Advance or a

Hedge Protection Advance to the extent such amounts have not been capitalised as outstanding principal of the relevant Senior Loan or recovered from the relevant Borrower.

Governing law

The Loan Sale Documents will be governed by English law.

Trust Deed

Introduction

On or before the Closing Date, the Issuer and the Trustee will enter into a trust deed (the "**Trust Deed**") pursuant to which the Notes will be constituted. The Trust Deed will include the form of the Notes and contain a covenant from the Issuer to the Trustee to pay all amounts due under the Notes. The Trustee will hold the benefit of that covenant on trust for the Noteholders in accordance with their respective interests.

Certain Rights of Noteholders and Resolution of Conflicts of Interest

The Trust Deed will contain provisions requiring the Trustee to, unless otherwise provided, have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders as if they formed a single Class. Where, however, in the opinion of the Trustee there is a conflict between the interests of the Class A Noteholders and the interests of any of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, the Trustee shall give priority to the interests of the holder of the Most Senior Class of Notes then outstanding. If a conflict exists between the interests of the Noteholders and the interests of the other Issuer Secured Creditors, the Trustee is required to have regard solely to the interests of the Noteholders and no other Issuer Secured Creditor shall have any claim against the Trustee for so doing.

The Trust Deed will contain provisions for convening meetings of Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of such Noteholders of the relevant Class of any modification of the Notes of the relevant Class (including the Conditions as they relate to the Notes of such relevant Class, as the case may be) or any of the provisions of any of the Issuer Transaction Documents. The Trustee may, without the consent or sanction of the Noteholders of the relevant class, (i) sanction a modification of the Notes of the relevant Class if, in its opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced; or (ii) if the modification is of a formal, minor or technical nature or corrects a manifest error. However, no modification of certain terms by the Noteholders of any Class including, amongst other things, the date of maturity of the Notes of the relevant Class or a modification which would have the effect of postponing any day for payment of interest in respect of such Notes, the reduction or cancellation of the amount of principal payable in respect of such Notes or any alteration of the priority of redemption of such Notes (any such modification in respect of any such Class of Notes being referred to in the Conditions as a "**Basic Terms Modification**") will be effective (other than in relation to (ii) above) unless such modification is approved by an Extraordinary Resolution complying with certain terms of the Trust Deed.

The Trust Deed will also contain provisions whereby the *Minority Senior Lenders* will be able to vote on Qualifying Resolutions and Qualifying Extraordinary Resolutions as though they were a Noteholder of the relevant Class or Classes, as the case may be, in the proportion which the Relevant Senior Loan Minority Portion bears to the aggregate principal balance outstanding of the Relevant Senior Loan Minority Portion and the Senior Loans.

Governing law

The Trust Deed will be governed by English law.

Agency Agreement

Pursuant to an agency agreement to be entered into on or about the Closing Date (the "**Agency Agreement**") between the Issuer, the Trustee, the Principal Paying Agent, the Irish Paying Agent and the Agent Bank, provision will be made for, amongst other things, payment of principal and interest in respect of the Notes of each Class.

The Issuer may, with the prior written approval of the Trustee, terminate the appointment of the Principal Paying Agent, the Irish Paying Agent or the Agent Bank upon not less than 90 days' prior written notice or immediately upon the occurrence of certain insolvency related events. In addition, the Principal Paying Agent, the Irish Paying Agent or the Agent Bank may resign from their respective roles under the Agency Agreement upon not less than 90 days' prior written notice to the Issuer and the Trustee. The termination of the appointment of the Principal Paying Agent, the Irish Paying Agent or the Agent Bank (whether by the Issuer or by resignation) shall not be effective unless upon the expiry of the relevant notice there is a respective successor in place.

Governing law

The Agency Agreement will be governed by English law.

Issuer Deed of Charge

Issuer Security

On the Closing Date, the Issuer and the Issuer Secured Creditors will enter into a deed of charge (the "**Issuer Deed of Charge**") pursuant to which the Notes and certain other obligations of the Issuer (including the amounts owing to the Trustee under the Trust Deed, to the Trustee and any receiver under the Issuer Deed of Charge, to the Issuer Account Bank under the Issuer Account Bank Agreement, to the Liquidity Facility Provider under the Liquidity Facility Agreement, to the Corporate Services Provider under the Corporate Services Agreements, to the Cash Manager under the Cash Management Agreement, to the Master Servicer or, as the case may be, the Special Servicer under the Servicing Agreement and to the Paying Agents and the Agent Bank under the Agency Agreement) will be secured in favour of the Issuer Secured Creditors by the following security interests:

- (a) an assignment by way of first fixed security of all of the Issuer's right, title, interest and benefit in the Senior Loans, the Borrower Security and the Issuer's beneficial interest in the security trusts created over the Borrower Security;
- (b) an assignment by way of first fixed security of all of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer Transaction Documents;
- (c) an assignment by way of first fixed security of all of the Issuer's right, title, interest and benefit, present and future, in, to and under the Finance Documents and the Intercreditor Agreements;
- (d) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer Accounts (other than the Issuer's Share Capital Account);

- (e) an assignment by way of first fixed security over all of the Issuer's right, title, interest and benefit, present and future, in and to all Eligible Investments (permitted to be made by the Issuer); and
- (f) a first floating charge over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever, present and future, not already subject to fixed security.

The Trustee shall not be bound to enforce the security constituted by the Issuer Deed of Charge or take proceedings against the Issuer or any other person to enforce the provisions of the Issuer Deed of Charge or any of the other Issuer Transaction Documents or any other action thereunder unless:

- (a) it shall have been directed or requested to do so either by an Extraordinary Resolution of the holders of the Most Senior Class of Notes or in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and
- (b) it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses (including any amount of such costs, charges and expenses in respect of or which represents value added tax) which may be incurred by it in connection therewith.

The Notes will be full recourse obligations of the Issuer. On enforcement of the Issuer Security, recourse in respect of all other obligations (that is, other than the obligation to pay principal and interest on the Notes) of the Issuer will be limited to the proceeds of realisation of the Issuer Security.

Non-petition

Each of the Issuer Secured Creditors which is a party to the Issuer Deed of Charge (other than the Trustee) will agree in the Issuer Deed of Charge that, unless a Note Enforcement Notice has been served, or the Trustee, having become bound to serve a Note Enforcement Notice, fails to do so within a reasonable period and such failure is continuing, it will not take any steps for the purpose of recovering any debts due or owing to it by the Issuer or to petition or procure the petitioning for the winding-up or administration of the Issuer or to file documents with the court or serve a notice of intention to appoint an administrator in relation to the Issuer.

Enforcement

The Issuer Security will become enforceable on the occurrence of a Note Event of Default pursuant to Condition 10 (*Note Events of Default*) (or on the Note Final Maturity Date or any earlier redemption in full of the Notes, in each case upon failure to pay amounts due on the Notes). In respect of a Note Event of Default, 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 Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes or (ii) the Trustee has been advised by such professional advisers as are selected by the Trustee, upon whom the Trustee shall be entitled to rely, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full all amounts owing to the Noteholders and any amounts required under the Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes and that the shortfall will (or that there is a significant risk that it will) exceed the shortfall resulting from disposal of the assets comprising the Issuer Charged Property or (iii) the Trustee

determines (acting, where necessary, on the advice of an independent investment bank) that not to effect such disposal would or would be likely to place the Issuer Security in jeopardy, and, in any event, the Trustee has been secured and/or indemnified to its satisfaction.

Governing law

The Issuer Deed of Charge will be governed by English law.

Issuer Account Bank Agreement

Introduction

The Issuer, the Cash Manager, the Issuer Account Bank and the Trustee will enter into an agreement (the "**Issuer Account Bank Agreement**") on or about the Closing Date pursuant to which the Issuer and the Trustee will appoint Citibank N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB as the Issuer Account Bank.

Pursuant to the terms of the Issuer Account Bank Agreement, the Issuer will establish the following bank accounts:

- (a) an account (the "**Issuer Transaction Account**") into which all Collections in respect of the Senior Loans to be transferred by the Master Servicer or, as the case may be, the Special Servicer (as agent for the Issuer, the Borrower Security Trustee or the Trustee as the case may be) under the Servicing Agreement (including, for the avoidance of doubt, Prepayment Fees), all drawings under the Liquidity Facility Agreement (other than a Liquidity Stand-by Drawing) and all other amounts received by the Issuer in connection with the Senior Loans or the Borrower Security or otherwise received by the Issuer under the Issuer Transaction Documents are required to be paid;
- (b) an account (the "**Issuer Share Capital Account**") into which the subscription monies in respect of the shares of the Issuer are required to be paid; and
- (c) an account (the "**Liquidity Stand-by Account**" and, together with the Issuer Transaction Account, the Issuer Share Capital Account and any other accounts maintained by the Issuer in accordance with the terms of the Issuer Transaction Documents from time to time, the "**Issuer Accounts**") which will be opened by the Issuer with the Issuer Account Bank when a Liquidity Stand-by Drawing is made and into which the Liquidity Stand-by Drawing will be deposited.

The Master Servicer will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received in connection with the Senior Loans or the enforcement of the Borrower Security are paid into the Issuer Transaction Account.

Withdrawals from the Issuer Accounts will be made only in accordance with the provisions of the Issuer Account Bank Agreement, the Cash Management Agreement and the Issuer Deed of Charge.

In accordance with the terms of the Issuer Account Bank Agreement, the Issuer Account Bank has agreed to comply with all directions of, as applicable, the Cash Manager on behalf of the Issuer and, following the delivery of a Note Enforcement Notice by the Trustee, the Trustee, to effect payments from the Issuer Accounts in accordance with the terms of the Issuer Account Bank Agreement and the relevant bank mandates.

If the Issuer Account Bank ceases to be an Eligible Bank (being a United Kingdom bank or a United Kingdom branch of a bank) the short-term, unsecured, unguaranteed and unsubordinated debt

obligations of which are rated at least "F1" by Fitch and "A-1+" by S&P and the long-term, unsecured, unguaranteed and unsubordinated long-term debt obligations of which are rated at least "A" by Fitch and "AA-" by S&P, or is otherwise acceptable to the Rating Agencies), the Issuer will be required to arrange for the transfer (within 30 days) of the Issuer Accounts to an Eligible Bank on terms acceptable to the Trustee.

Governing law

The Issuer Account Bank Agreement will be governed by English law.

Liquidity Facility Agreement

Introduction

Under the terms of a liquidity facility agreement (the "**Liquidity Facility Agreement**") to be dated on or about the Closing Date between the Liquidity Facility Provider, the Cash Manager, the Trustee and the Issuer, the Liquidity Facility Provider will provide to the Issuer, from the Closing Date, a sterling 364-day committed revolving liquidity facility (the "**Liquidity Facility**") to permit drawings to be made of up to an initial maximum principal amount of £57 million on the Closing Date and thereafter, the lesser of £57 million and 14.39 per cent. of the aggregate Principal Amount Outstanding of the Notes (or such lower amount as the Rating Agencies confirm will not adversely affect the then current ratings of the Notes) (as reduced or cancelled from time to time under the Liquidity Facility Agreement) (the "**Liquidity Facility Commitment**"). Drawings may be made under the Liquidity Facility in the following circumstances: (a) where the Issuer has insufficient Available Issuer Income on any Note Payment Date which falls within such 364-day period (as such period may be renewed pursuant to the terms of the Liquidity Facility Agreement) to pay in full any of the items specified in items (a) to (j) (inclusive) of the Issuer Pre-Enforcement Revenue Priority of Payments (a "**Liquidity Shortfall**"), each such drawing a "**Liquidity Shortfall Drawing**"; (b) where the Issuer will make a Property Protection Advance in accordance with the terms of the Servicing Agreement, each such drawing a "**Property Protection Drawing**"; or (c) where the Issuer will make a Hedge Protection Advance in accordance with the terms of the Servicing Agreement, each such drawing a "**Hedge Protection Drawing**". Liquidity Shortfall Drawings, Property Protection Drawings and Hedge Protection Drawings are together referred to as "**Liquidity Drawings**".

Prospective Noteholders should note that the purpose of the Liquidity Facility Agreement is to provide liquidity, not credit support, and that the Liquidity Facility Provider is entitled to receive interest on drawings made under the Liquidity Facility Agreement which could ultimately reduce the amount available for distribution to Noteholders. Furthermore, whilst the description contained herein is of the terms of the Liquidity Facility Agreement that will be entered into on the Closing Date, it is possible that in the future it will only be possible to renew or replace such Liquidity Facility Agreement on terms which differ from those described herein.

Liquidity Shortfall Drawings

On the Note Calculation Date prior to each Note Payment Date, the Cash Manager will determine the amount of any Liquidity Shortfall and the amount of the Available Liquidity Facility.

If there will be a Liquidity Shortfall on the immediately succeeding Note Payment Date, the Cash Manager (on behalf of the Issuer) will, subject to the provisions of the following paragraphs, make a Liquidity Shortfall Drawing in accordance with the terms of the Liquidity Facility Agreement in an amount equal to such calculated deficiency. Such Liquidity Shortfall Drawing will be credited to the Issuer Transaction Account and will be applied by the Issuer together with the Available Issuer Income

on the immediately succeeding Note Payment Date in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

The Cash Manager (on behalf of the Issuer) may make a Liquidity Shortfall Drawing in respect of a Liquidity Shortfall in an amount equal to the lesser of (a) the Available Liquidity Facility; and (b) the Liquidity Shortfall on such Note Payment Date, *provided that*, whilst any Class A Notes or Class B Notes are outstanding, the Cash Manager (on behalf of the Issuer) may not make a Liquidity Shortfall Drawing in respect of the Class C Notes or the Class D Notes if such drawing would result in more than 11.30 per cent. of the aggregate Principal Amount Outstanding of the Class C Notes or 11.90 per cent. of the aggregate Principal Amount Outstanding of the Class D Notes (as the case may be) being drawn and outstanding respectively in respect of the Class C Notes or the Class D Notes.

At no time may a Liquidity Drawing be made on the Liquidity Facility which is greater than the Available Liquidity Facility.

"Available Liquidity Facility" means, in respect of any Note Payment Date, the Liquidity Facility Commitment less the aggregate of outstanding Liquidity Drawings after taking account of the amount of Available Issuer Income which will be applied at item (e) of the Issuer Pre-Enforcement Revenue Priority of Payments to repay the Liquidity Facility on such Note Payment Date.

Provided that the Liquidity Facility Provider meets certain requirements, if any monies are required to be withheld or deducted for or on account of Tax from any payment made by the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement, the amount of payment due from the Issuer will in certain circumstances be increased to the extent necessary to ensure that, after such withholding or deduction has been made, the amount received by the Liquidity Facility Provider is equal to the amount that it would have received had no such withholding or deduction been required to be made. Such increased amounts will, as set out below, be Liquidity Facility Subordinated Amounts and, in such circumstances, will rank junior to payments due and payable under the Notes in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

Property Protection Drawings

If the Master Servicer or the Special Servicer (as the case may be) determines in accordance with the Servicing Agreement and the Propco Facility Agreement that the Issuer should make a Property Protection Advance to a Borrower, the Master Servicer or the Special Servicer (as the case may be) shall so notify the Cash Manager and the Cash Manager will request on behalf of the Issuer a Property Protection Drawing in an amount equal to the Property Protection Advance. The proceeds of the Property Protection Drawing will be credited to the Issuer Transaction Account or otherwise paid directly to the relevant third parties in respect of which such Property Protection Advance is to be made and in each case applied by the Cash Manager at the direction of the Master Servicer or the Special Servicer, as applicable, on behalf of the Issuer in making the Property Protection Advance in accordance with the Servicing Agreement and the Propco Facility Agreement. If insufficient funds are available under the Liquidity Facility to make the relevant Property Protection Advance, then the shortfall in a Property Protection Advance may be funded by the Relevant Servicer (in its sole discretion).

Hedge Protection Drawings

If the Master Servicer or the Special Servicer (as the case may be) determines in accordance with the Servicing Agreement and the Propco Facility Agreement that the Issuer should make a Hedge Protection Advance to a Borrower, the Master Servicer or the Special Servicer (as the case may be) shall so notify the Cash Manager and the Cash Manager will request on behalf of the Issuer a Hedge

Protection Drawing in an amount equal to the Hedge Protection Advance. The proceeds of the Hedge Protection Drawing will be credited to the Issuer Transaction Account or otherwise paid directly to the relevant Hedge Counterparty in respect of which such Hedge Protection Advance is to be made and in each case applied by the Cash Manager at the direction of the Master Servicer or the Special Servicer, as applicable, on behalf of the Issuer in making the Hedge Protection Advance in accordance with the Servicing Agreement and the Propco Facility Agreement. If insufficient funds are available under the Liquidity Facility to make the relevant Hedge Protection Advance, then the shortfall in a Hedge Protection Advance may be funded by the Relevant Servicer (in its sole discretion).

Relevant Events and Liquidity Stand-by Drawings

The Liquidity Facility Agreement will provide that, if:

- (a) the Liquidity Facility Provider declines to renew the 364-day commitment of the Liquidity Facility; and/or
- (b) the rating of the Liquidity Facility falls below the Liquidity Requisite Rating,

each such event, a "**Relevant Event**", then the Liquidity Facility Provider shall assign, novate or transfer its rights and obligations to another Liquidity Facility Provider that has the Liquidity Requisite Ratings and meets certain other criteria, or other arrangements shall be made for the Issuer to enter into a new Liquidity Facility with a Qualifying Bank that has the Liquidity Requisite Ratings.

"**Qualifying Bank**" means a Liquidity Facility Provider which, at the time any interest is paid on a Liquidity Drawing, is within the charge to United Kingdom corporation tax in respect of, and beneficially entitled to, a payment of interest on a Liquidity Drawing, where such Liquidity Drawing is made available by a person that was a bank for the purposes of section 349 of the Income and Corporation Taxes Act 1988 (the "**Taxes Act**") (as defined in section 840A of the Taxes Act) at the time the Liquidity Drawing was made.

If any one of such steps is not completed, the Liquidity Facility Provider shall, upon receipt of a request from the Issuer, advance a drawing (a "**Liquidity Stand-by Drawing**") of the total commitment under the Liquidity Facility Agreement then available for drawing under the Liquidity Facility and the Liquidity Facility Provider shall pay such Liquidity Stand-by Drawing into a designated bank account of the Issuer (the "**Liquidity Stand-by Account**") maintained with the then Issuer Account Bank.

If the Issuer makes a Liquidity Stand-by Drawing, the Cash Manager will be required, prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments. Amounts standing to the credit of the Liquidity Stand-by Account will be available to the Issuer prior to the delivery of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, for the purposes of making a Liquidity Shortfall Drawing, a Property Protection Drawing or a Hedge Protection Drawing as described above and in accordance with the terms of the Liquidity Facility Agreement. Following (a) the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full; (b) the rating of the Liquidity Facility Provider ceasing to be below the Liquidity Requisite Ratings; or (c) certain events of default under the Liquidity Facility Agreement, principal amounts standing to the credit of the Liquidity Stand-by Account in respect of the Liquidity Stand-by Drawing will be returned to the Liquidity Facility Provider and will not be applied in accordance with any of the Issuer Priority of Payments. If and to the extent that there is a reduction in the Liquidity Facility Commitment, there will be a *pro rata* repayment of amounts standing to the credit of the Liquidity Stand-by Account.

For these purposes:

"Liquidity Requisite Ratings" means a rating for a bank of at least "F1" (or better) by Fitch and "A-1+" (or better) by S&P for that bank's short-term unsecured, unsubordinated and unguaranteed debt obligations; and

"Eligible Investments" means (a) sterling denominated government securities or (b) sterling demand or time deposits, certificates of deposit, money market funds and short term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one Note Business Day prior to the next Note 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 at least "F1+" by Fitch and "A-1+" by S&P (or in the case of longer dated securities "AAA" by Fitch and "AAA" by S&P) or are otherwise acceptable to the Rating Agencies and where the proceeds receivable in accordance with the terms of such an Eligible Investment upon its maturity is no less than the sum so invested or deposited.

Repayment of Drawings

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts) will rank in priority to payments of interest and principal on the Notes.

"Liquidity Subordinated Amounts" are any amounts in respect of (a) increased costs, mandatory costs and tax gross up amounts payable to the Liquidity Facility Provider to the extent that such amounts exceed 0.125 per cent. per annum of the commitment provided under the Liquidity Facility Agreement and (b) if there is any Liquidity Stand-by Drawing then outstanding, the excess of the interest then payable in respect thereof over the aggregate of (i) an amount equal to the commitment fee which would otherwise then be payable (but for the Liquidity Stand-by Drawing) under the Liquidity Facility Agreement and (ii) an amount equal to the amount of interest earned in the relevant period in respect of the Liquidity Stand-by Account and the interest element of any proceeds of any Eligible Investments made out of amounts standing to the credit of the Liquidity Stand-by Account.

The Issuer will repay any Liquidity Shortfall Drawing, Property Protection Drawing or Hedge Protection Drawing under the Liquidity Facility on the Note Payment Date immediately following the date on which such drawing was made, or if earlier on the termination date under the Liquidity Facility (the **"Liquidity Facility Term Date"**) or the Note Final Maturity Date.

In the event that such Liquidity Drawings are not repaid on the relevant due date 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 the relevant day in an amount equal to the amount outstanding subject to no events of default under the Liquidity Facility Agreement being outstanding or resulting from the redrawing. The procedure will be repeated on each Note Payment Date or other due date thereafter, as applicable, up to the amount of the Liquidity Facility Commitment until all amounts outstanding under the Liquidity Facility are paid and/or repaid.

The Issuer will pay interest on Liquidity Drawings at a rate equal to LIBOR (as determined under the Notes) plus a specified margin. The Issuer will pay interest on any Liquidity Stand-by Drawings at an amount equal to the commitment fee under the Liquidity Facility Agreement that would be paid had the Liquidity Stand-by Drawing not been made plus an amount equal to any interest earned on amounts standing to the credit of the Liquidity Stand-by Account following the date of the Liquidity Stand-by

Drawing and the interest element of any proceeds of any Eligible Investments made out of amounts standing to the credit of the Liquidity Stand-by Account.

Governing law

The Liquidity Facility Agreement will be governed by English Law.

Corporate Services Agreement

The Issuer, the Corporate Services Provider and the Issuer Share Trustee will enter into a corporate services agreement (the "**Corporate Services Agreement**") on or about the Closing Date pursuant to which the Corporate Services Provider will agree to provide certain administrative services to the Issuer. The Corporate Services Provider will be entitled to receive an annual fee from the Issuer at rates agreed upon from time to time for the provision of such services.

The Corporate Services Agreement may be terminated by either the Issuer or the Corporate Services Provider pursuant to its terms, but such termination shall only take effect when a substitute corporate services provider has been appointed (on substantially the same terms as the Corporate Services Provider) in accordance with the Corporate Services Agreement.

Governing law

The Corporate Services Agreement will be governed by English law.

Master Definitions Schedule

On or prior to the Closing Date, each of the Issuer, the Trustee, the Cash Manager, the Issuer Account Bank, the Liquidity Facility Provider, the Master Servicer, the Special Servicer, the Facility Agent, the Agent Bank, the Paying Agents and the Corporate Services Provider will, amongst others, sign, a definitions schedule (the "**Master Definitions Schedule**") incorporating the definitions applicable to each of the Issuer Transaction Documents (where not otherwise defined therein).

Governing law

The Master Definitions Schedule will be governed by English law.

Issuer Transaction Documents - general

The Issuer Transaction Documents will contain provisions to ensure that the Trustee, the Cash Manager, the Issuer Account Bank, the Liquidity Facility Provider, the Agent Bank, the Paying Agents and the Corporate Services Provider are at all times the same entities as the respective transaction parties appointed by or on behalf of Theatre (Hospitals) No. 2.

CASH MANAGEMENT

Cash Manager

On or before the Closing Date the Issuer will enter into a cash management agreement between the Issuer, the Master Servicer, the Special Servicer, the Trustee, the Issuer Account Bank and the Cash Manager (the "**Cash Management Agreement**"), pursuant to which each of the Issuer and the Trustee will appoint Citibank N.A., London Branch (in its capacity as the "**Cash Manager**") to be its agent to provide certain cash management services in respect of the Issuer Accounts (the "**Cash Management Services**"). 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 be required to perform such responsibilities and duties diligently and in conformity with the Issuer's obligations with respect to the transaction and that it will be obliged to 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, the Trust Deed and the Issuer Deed of Charge.

Calculation of Amounts and Payments

Under the Servicing Agreement, the Master Servicer is required to identify funds paid under the Propco Facility Agreement (and the terms of the Intercreditor Agreements) and any Borrower Security, as principal, interest and other amounts on the relevant ledger in accordance with the respective interests of the Issuer and the Sellers (if any) in the Senior Loans. The Master Servicer will advise the Cash Manager of these determinations and the Cash Manager will allocate funds accordingly. Any such amounts to be paid to the Issuer will be paid to the Issuer Transaction Account and credited by the Cash Manager to the relevant ledger set out below.

The Cash Manager is required to apply such funds in accordance with the Issuer Priority of Payments set out in the Cash Management Agreement and described above. See "*Cashflows*" below.

The Cash Manager will be authorised to invest any available funds standing to the credit of the Issuer Transaction Account and the Liquidity Stand-by Account (if applicable) in Eligible Investments in accordance with the provisions of the Cash Management Agreement. All amounts earned on such investments of amounts held in the Issuer Transaction Account and the Liquidity Stand-by Account will be included in Available Issuer Income.

On each Note Calculation Date, the Cash Manager is required to determine, from information provided by the Master Servicer in respect of the Collections received or to be received by the Issuer during the related Collection Period, the various amounts required to pay interest and principal due on the Notes on the forthcoming Note 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 for each class of Notes for the Note Interest Period commencing on the next following Note Payment Date and the amount of each principal payment (if any) due on each class of Notes on the next following Note Payment Date.

The Cash Manager will from time to time, pay, on behalf of the Issuer, all periodic and non-recurring expenses of the Issuer.

The Cash Manager will make all payments to the Paying Agents as required to carry out an optional redemption of Notes pursuant to Condition 6.2 (*Redemption for taxation or other reasons*) or Condition 6.4 (*Redemption upon exercise of Servicer Call Option*), in each case according to the provisions of the relevant Condition. See further "*Terms and Conditions of the Notes*".

The Cash Manager will make requests for drawings under the Liquidity Facility on behalf of the Issuer in accordance with the terms of the Liquidity Facility Agreement, including Property Protection Drawings, Hedge Protection Drawings and Liquidity Shortfall Drawings and the Cash Manager will procure the transfer of such drawings to the Issuer Transaction Account. See further "*Summary of the Issuer Transaction Documents – Liquidity Facility Agreement*" above.

If a Relevant Event occurs and is outstanding in relation to the Liquidity Facility Provider and the Issuer has not entered into a replacement liquidity facility with a Qualifying Bank with the Liquidity Requisite Ratings, the Cash Manager shall within five Note Business Days of the occurrence of the Relevant Event request on behalf of the Issuer a Liquidity Stand-by Drawing in an amount equal to the undrawn portion of the Liquidity Facility Commitment at that time. In the event that the Cash Manager makes a Liquidity Stand-by Drawing on behalf of the Issuer, the Cash Manager shall procure that the Liquidity Stand-by Drawing is credited to the Liquidity Stand-by Account opened with the Issuer Account Bank.

If the Cash Manager fails to make a drawing under the Liquidity Facility when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Trustee may submit the relevant notice of drawdown.

Ledgers

The Cash Manager will maintain the following ledgers:

- (a) a ledger in respect of revenue (the "**Revenue Ledger**");
- (b) a ledger in respect of principal (other than Release Premium Amounts) (the "**Principal Ledger**");
- (c) a ledger in respect of Release Premium Amounts (the "**Release Premium Ledger**");
- (d) a ledger in respect of drawings under the Liquidity Facility (the "**Liquidity Ledger**");
- (e) a ledger in respect of Prepayment Fees (the "**Prepayment Fees Ledger**");
- (f) a ledger in respect of all amounts retained by the Issuer in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments or the Issuer Post-Enforcement Priority of Payments for the purpose of providing against payment of tax (the "**Issuer Tax Reserve Ledger**"); and
- (g) a ledger in respect of certain amounts to be reserved by the Issuer on each Note Payment Date following the Step-up Date (the "**Post-Step-up Reserve Ledger**").

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

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

- (a) credit the Revenue Ledger with all Available Issuer Income, Property Protection Drawings, Hedge Protection Drawings and Liquidity Shortfall Drawings transferred and credited to the Issuer Transaction Account save, in respect of any Property Protection Drawings or Hedge Protection Drawings, to the extent such drawings are paid directly to the relevant third party recipient to which amounts are owed by the relevant Borrower and in respect of which such a Property Protection Drawing or Hedge Protection Drawing was made and debit the Revenue Ledger with all payments by or on behalf of the Issuer out of Available Issuer Income, Adjusted

Available Issuer Income or amounts applied in accordance with the Issuer Post-Enforcement Priority of Payments;

- (b) credit the Principal Ledger with all Available Issuer Principal transferred to the Issuer and credited to the Issuer Transaction Account and debit the Principal Ledger with all payments made out of Available Issuer Principal or amounts applied in accordance with the Issuer Post-Enforcement Priority of Payments;
- (c) credit the Release Premium Ledger with all Available Release Premium Amounts transferred to the Issuer and credited to the Issuer Transaction Account and debit the Release Premium Ledger with all payments made out of Available Release Premium Amounts or amounts applied in accordance with the Issuer Post-Enforcement Priority of Payments;
- (d) credit the Liquidity Ledger with any amounts paid to the Liquidity Facility Provider on a Note Payment Date and debit the Liquidity Ledger with all Liquidity Drawings under the Liquidity Facility Agreement;
- (e) credit the Prepayment Fees Ledger with all Prepayment Fees transferred and credited to the Issuer Transaction Account and debit the Prepayment Fees Ledger with all payments made out of Prepayment Fees;
- (f) credit the Issuer Tax Reserve Ledger with all amounts retained by the Issuer in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments or the Issuer Post-Enforcement Priority of Payments for the purpose of providing against payment of tax and debit the Issuer Tax Reserve Ledger with any payments of tax or dividends; and
- (g) credit the Post-Step-up Reserve Ledger with all amounts reserved by the Issuer in accordance with item (p) of the Issuer Pre-Enforcement Revenue Priority of Payments and on each Note Payment Date debit the Post-Step-up Reserve Ledger with all amounts standing to the credit thereof for application pursuant to the Issuer Pre-Enforcement Revenue Priority of Payments as Adjusted Available Issuer Income.

Cash Management Quarterly Report

The Cash Manager will on each Note Calculation Date (being three Note Business Days before each Note Payment Date) deliver to the Issuer, the Trustee, the Master Servicer and the Rating Agencies a report in respect of the related Collection Period in which it will notify the recipients of, among other things, all amounts received or to be received by the Issuer during such Collection Period in the Issuer Transaction Account and payments made with respect thereto.

Cash Management Fee

The Issuer will pay to the Cash Manager on each Note Payment Date a cash management fee (exclusive of value added tax, if any) as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager for all out-of-pocket costs and expenses (including any amount of such costs and expenses in respect of or which represents irrecoverable value added tax) properly incurred by the Cash Manager in the performance of its services. Any successor cash manager will receive remuneration on the same basis.

Termination of Appointment of the Cash Manager

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, among other things:

- (a) 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;
- (b) a default in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for ten Note Business Days; or
- (c) a petition is presented or an effective resolution passed for its winding up or the appointment of an administrator, or similar official.

On the termination of the appointment of the Cash Manager by the Issuer or the Trustee, the Issuer or the Trustee may, subject to certain conditions, appoint a successor cash manager.

In addition, the Cash Manager may resign as Cash Manager upon not less than three months' written notice of resignation to each of the Issuer, the Master Servicer, the Special Servicer, the Sellers and the Trustee provided that a suitably qualified successor Cash Manager shall have been appointed.

Governing law

The Cash Management Agreement is governed by English law.

CASH FLOWS

The payment priorities in respect of the Issuer Transaction Account will be set out in the Cash Management Agreement. Prior to the delivery of a Note Enforcement Notice by the Trustee or the Notes otherwise becoming due and repayable in full, the Cash Manager will be responsible for making any payments of principal on the Notes from amounts credited to the Principal Ledger and the Release Premium Ledger on the Issuer Transaction Account (in accordance with the Issuer Pre-Enforcement Principal Priorities of Payments) and for making payments of, among other things, interest on the Notes from the Revenue Ledger on the Issuer Transaction Account (in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments). Following the delivery of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager (at the direction of the Trustee) will be responsible for making payments of principal and interest on the Notes in accordance with the Issuer Post-Enforcement Priority of Payments.

Payments from amounts credited to the Revenue Ledger - Revenue Priority Amounts

Prior to the delivery of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager (on behalf of the Issuer) will, on any Note Business Day, (including a Note Payment Date) pay out of the Adjusted Available Issuer Income (as defined below) standing to the credit of the Issuer Transaction Account and credited to the Revenue Ledger (prior to the Trustee taking any steps to enforce the Issuer Security) certain expenses due to third parties that are not Issuer Secured Creditors incurred by the Issuer in the ordinary course of its business, including the Issuer's liability, if any, to taxation, (the "**Revenue Priority Amounts**") provided that on any Note Payment Date, such payment shall be made in accordance with the Issuer Pre-Enforcement Revenue Priority of Payments.

Issuer Pre-Enforcement Revenue Priority of Payments

Prior to the delivery of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager (on behalf of the Issuer) will, on each Note Payment Date, apply Adjusted Available Issuer Income (as defined below) credited to the Issuer Transaction Account in the following order of priority (the "**Issuer Pre-Enforcement Revenue Priority of Payments**") (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full):

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any person appointed by the Trustee under the Trust Deed, the Issuer Deed of Charge or any other Issuer Transaction Document to which it is a party;
- (b) in or towards satisfaction of any amounts due and payable by the Issuer on such Note Payment Date to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank under the Agency Agreement and the Issuer Account Bank under the Issuer Account Bank Agreement;
- (c) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*: (i) the Master Servicer in respect of the Servicing Fee and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Master Servicer or the Special Servicer pursuant to the Servicing Agreement (including Liquidation Fees or Restructuring Fees) (including in each case, a reimbursement of any amounts of Property Protection Advances or Hedge Protection Advances made by the Master Servicer or the Special Servicer on behalf of the Issuer) (to the extent not already paid on behalf of the Issuer to the Master Servicer or the Special Servicer (as the case may be)) and (ii) the Cash Manager pursuant to the Cash Management Agreement;

- (d) in or towards satisfaction, *pari passu* and *pro rata*:
 - (i) according to amounts then due, of any amounts due and payable by the Issuer on such Note Payment Date to the Corporate Services Provider under the Corporate Services Agreement;
 - (ii) of any Revenue Priority Amounts due to third parties (other than the Issuer Secured Creditors) incurred by the Issuer in the ordinary course of its business payable by the Issuer on such Note Payment Date; and
 - (iii) to the Issuer, to retain in the Issuer Tax Reserve Ledger an amount equal to the Issuer Profit Amount;
- (e) in or towards satisfaction of any amounts due and payable by the Issuer on such Note Payment Date to the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (f) in or towards payment *pari passu* and *pro rata* according to the respective amounts of any amounts the Issuer has agreed to pay or otherwise provide to a Borrower in respect of Property Protection Advances or Hedge Protection Advances (in each case to the extent not already paid from a Property Protection Drawing or Hedge Protection Drawing (as the case may be) or by the Master Servicer or the Special Servicer);
- (g) in or towards payment *pari passu* and *pro rata* of interest due and overdue (and all interest due on such overdue interest) on the Class A Notes;
- (h) in or towards payment *pari passu* and *pro rata* of interest due and overdue (and all interest due on such overdue interest) on the Class B Notes;
- (i) in or towards payment *pari passu* and *pro rata* of interest due and overdue (and all interest due on such overdue interest) on the Class C Notes;
- (j) in or towards payment *pari passu* and *pro rata* of interest due and overdue (and all interest due on such overdue interest) on the Class D Notes;
- (k) in or towards payment of any Liquidity Subordinated Amounts payable by the Issuer on such Note Payment Date to the Liquidity Facility Provider;
- (l) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class A Step-up Fees;
- (m) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class B Step-up Fees;
- (n) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class C Step-up Fees;
- (o) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class D Step-up Fees;
- (p) on each Note Payment Date from and including the Step-up Date, to the Issuer, to retain in the Post-Step-up Reserve Ledger, an amount equal to (i) the aggregate of the Default Interest received by the Issuer as Available Issuer Income in the immediately preceding Collection Period and any amounts transferred to the Post-Step-up Reserve Ledger pursuant to this item (p)

on the immediately preceding Note Payment Date and constituting Adjusted Available Issuer Income on this Note Payment; less (ii) the aggregate of all Step-up Fees paid by the Issuer on such Note Payment Date in accordance with items (l) to (o) above; and

- (q) in or towards payment of any amounts in respect of Deferred Consideration to the Sellers or their assignees or as the Sellers may direct in accordance with the terms of the Loan Sale Agreement.

"Available Issuer Income" will comprise:

- (a) in respect of a Note Payment Date, all monies (other than Prepayment Fees and principal, (save to the extent that such principal represents any amount to be paid to the Special Servicer as a Liquidation Fee)) paid or to be paid to the Issuer during the related Collection Period under or in respect of the Propco Facility Agreement and the Intercreditor Agreements less the amount of any expected shortfall in such amount as notified by the Master Servicer or the Special Servicer, as the case may be, to the Cash Manager (including Default Interest, payments received (to the extent reflecting accrued interest on the assets purchased) as a result of the purchase of the Senior Loans by any Junior Lender pursuant to the Intercreditor Agreement, payments received (to the extent reflecting accrued interest on the assets purchased) as a result of the repurchase of any Senior Loan by the Sellers pursuant to the Loan Sale Agreement and payments received (to the extent reflecting accrued interest on the assets purchased) as a result of the purchase of the Senior Loans by the Master Servicer or the Special Servicer pursuant to the Servicing Agreement); and
- (b) in respect of a Note Payment Date, any interest accrued upon the Issuer Transaction Account and the Liquidity Stand-by Account and paid into the Issuer Transaction Account or the Liquidity Stand-by Account, as applicable, together with the interest element of the proceeds of any Eligible Investments made by or on behalf of the Issuer out of amounts standing to the credit of the Issuer Transaction Account or the Liquidity Stand-by Account and paid into the Issuer Transaction Account in each case received since the immediately preceding Note Payment Date.

"Adjusted Available Issuer Income" on any date means the Available Issuer Income plus:

- (a) the following drawings under the Liquidity Facility Agreement, in each case standing to the credit of the Issuer Transaction Account:
 - (i) Property Protection Drawings;
 - (ii) Hedge Protection Drawings; and
 - (iii) Liquidity Shortfall Drawings; and
- (b) any amounts standing to the credit of the Post-Step-up Reserve Ledger.

"Issuer Profit Amount" means, with respect to any Note Payment Date, an amount, rounded up to the nearest penny, equal to the product of: (A) a fraction, the numerator of which is the number of days in the relevant Note Interest Period, and the denominator of which is 365, and (B) the product of (1) an amount equal to the Principal Amount Outstanding of the Notes on the Note Calculation Date prior to such Note Payment Date and (2) 0.001 per cent per annum (or such other amount determined by the Issuer with the consent of the Trustee).

Issuer Pre-Enforcement Principal Priorities of Payments

Prior to the delivery of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Cash Manager will, on each Note Payment Date, apply Available Issuer Principal credited to the Principal Ledger and Available Release Premium Amounts credited to the Release Premium Ledger in the relevant order of priority set out in the relevant paragraph of Condition 6.3 (*Mandatory redemption in part from Available Issuer Principal and Available Release Premium Amounts*) (together, the "**Issuer Pre-Enforcement Principal Priorities of Payments**") (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full).

"**Available Issuer Principal**" means, with respect to any Note Payment Date, amounts standing to the credit of the Principal Ledger or amounts to be credited to the Principal Ledger on such Note Payment Date constituting Principal Collections.

"**Available Release Premium Amounts**" means, with respect to any Note Payment Date, amounts standing to the credit of the Release Premium Ledger or amounts to be credited to the Release Premium Ledger on such Note Payment Date constituting Release Premium Amounts as at that Note Payment Date.

"**Principal Collections**" means the aggregate amount of principal received by or on behalf of the Issuer in respect of the Senior Loans excluding Release Premium Amounts but including (i) principal payments received in respect of a Senior Loan as a result of the repayment of such Senior Loan on the Loan Final Maturity Date; (ii) principal payments received by or on behalf of the Issuer in respect of the Senior Loans as a result of any prepayment in part or in full made by a Borrower under the Propco Facility (including the scheduled amortisation of the Propco Loans, but excluding Release Premium Amounts); (iii) payments received (to the extent reflecting principal outstanding on the assets purchased) as a result of a repurchase of any Senior Loan by the Sellers pursuant to the Loan Sale Agreement; (iv) payments received (to the extent reflecting principal outstanding on the assets purchased) as a result of the purchase of the Senior Loans by any Junior Lender pursuant to the Intercreditor Agreement; (v) payments received (to the extent reflecting principal outstanding on the assets purchased) as a result of the purchase of the Senior Loans by the Master Servicer or the Special Servicer pursuant to the Servicing Agreement; and (vi) principal payments recovered by or on behalf of the Issuer as a result of actions taken in accordance with the enforcement procedures in respect of a Senior Loan.

Issuer Post-Enforcement Priority of Payments

Following the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Trustee will be required to apply all funds received or recovered by it (other than any amount in respect of Prepayment Fees and any principal amounts standing to the credit of the Liquidity Stand-by Account in respect of a Liquidity Stand-by Drawing) in accordance with the following order of priority (the "**Issuer Post-Enforcement Priority of Payments**" and together with the Issuer Pre-Enforcement Revenue Priority of Payments and the Issuer Pre-Enforcement Principal Priorities of Payments, the "**Issuer Priority of Payments**") (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 Cash Management Agreement:

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any receiver or other person appointed by any of them under the Trust Deed, the Issuer Deed of Charge (or any other Issuer Transaction Document to which it is a party);

- (b) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders without corresponding payment of funds by the Issuer under the Agency Agreement together with any other amounts due to the Paying Agents or the Agent Bank pursuant to the Agency Agreement and the Issuer Account Bank under the Issuer Account Bank Agreement;
- (c) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*: (i) the Master Servicer in respect of the Servicing Fee and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Master Servicer or the Special Servicer pursuant to the Servicing Agreement (including Liquidation Fees or Restructuring Fees) (including in each case, the reimbursement of any Property Protection Advances or Hedge Protection Advances made by the Master Servicer or the Special Servicer on behalf of the Issuer) and (ii) the Cash Manager pursuant to the Cash Management Agreement;
- (d) in or towards satisfaction, *pari passu* and *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to the Corporate Services Provider under the Corporate Services Agreement;
- (e) in or towards satisfaction of any amounts due and payable by the Issuer to the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (f) in or towards payment *pari passu* and *pro rata*, of any principal and interest due and overdue (and all interest due on such overdue interest) on the Class A Notes;
- (g) in or towards payment *pari passu* and *pro rata* of any principal and interest due and overdue (and all interest due on such overdue interest) on the Class B Notes;
- (h) in or towards payment *pari passu* and *pro rata* of any principal and interest due and overdue (and all interest due on such overdue interest) on the Class C Notes;
- (i) in or towards payment *pari passu* and *pro rata* of any principal and interest due and overdue (and all interest due on such overdue interest) on the Class D Notes;
- (j) in or towards payment of any Liquidity Subordinated Amounts payable to the Liquidity Facility Provider;
- (k) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class A Step-up Fees;
- (l) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class B Step-up Fees;
- (m) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class C Step-up Fees;
- (n) in or towards payment *pari passu* and *pro rata* of all amounts due and overdue (and all interest due on such overdue amounts) in respect of Class D Step-up Fees;
- (o) in or towards payment of any amounts in respect of Deferred Consideration to the Sellers or their assignees or as the Sellers may direct in accordance with the terms of the Loan Sale Agreement; and

(p) any surplus to the Issuer.

Application of Prepayment Fees

All amounts received or recovered by the Issuer in respect of any Prepayment Fees will be applied by the Issuer (or by the Cash Manager on the Issuer's behalf) or, from and including the time at which the Trustee takes any step to enforce the Issuer Security, the Trustee (or the Cash Manager on its behalf) in or towards payment of any amount in respect of Deferred Consideration to the Sellers or its assignee in accordance with the terms of the Loan Sale Agreement.

ISSUER ACCOUNT BANK

Citibank N.A., London Branch will be appointed as Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement.

Citibank, N.A. is a company incorporated with limited liability in the United States of America under the laws of the City and State of New York on 14 June 1812 and reorganised as a national banking association formed under the laws of the United States of America on 17 July 1865 with Charter number 1461 and having its principal office at 399 Park Avenue, New York, NY 10043, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with company number BR001018.

The information contained herein with respect to Citibank N.A., London Branch has been obtained from Citibank N.A., London Branch. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of Citibank N.A., London Branch since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date. So far as the Issuer is aware and is able to ascertain from information published by Citibank N.A., London Branch, no facts have been omitted which would render the reproduced information misleading.

LIQUIDITY FACILITY PROVIDER

Danske Bank A/S, London Branch will be the Liquidity Facility Provider under the Liquidity Facility Agreement.

Danske Bank A/S was founded in 1871 and has, through the years, merged with a number of financial institutions. Danske Bank is a commercial bank with limited liability and carries on business under the Danish Financial Business Act, Consolidation Act No. 286 of 4 April 2006, as amended.

The registered office of Danske Bank is at Holmens Kanal 2-12, DK-1092 Copenhagen K, Denmark; the telephone number is +45 33 44 00 00; CVR-nr. 61 12 62 28 – København.

The Danske Bank Group provides a wide range of banking, mortgage and insurance products as well as other financial services, and is the largest financial institution in Denmark – and one of the largest in the Nordic region – measured by total assets.

The total assets of the consolidated Danske Bank Group were DKK 2,739 billion (USD 483.9 billion) at the end of 2006. Shareholders' equity was DKK 95 billion (USD 16.8 billion) at the end of 2006.

Current credit ratings of Danske Bank A/S are as follows: Moody's Investors Service Limited: P-1 (short-term) and Aaa (long-term), S&P: A-1+ (short-term) and AA- (long-term), Fitch: F1+ (short-term) and AA- (long-term).

The information contained herein with respect to Danske Bank A/S has been obtained from it. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of Danske Bank A/S since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to this date. So far as the Issuer is aware and is able to ascertain from information published by Danske Bank A/S, no facts have been omitted which would render the reproduced information misleading.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The estimated weighted average life figures set out herein should not be assumed to be a prediction of future performance. Actual performance is subject to factors largely or, in some cases (for example, general economic conditions), entirely outside the control of the Issuer. Consequently, no assurance can be given that the weighted average life estimates and the assumptions set out herein will prove in any way to be correct or realistic and they must therefore be viewed with considerable caution. No representation is made as to whether any of the matters described in the assumptions set out herein will or will not occur. See also "Risk Factors".

The weighted average life of any Class of Notes refers to the average amount of time that will elapse from the date of its issuance until all sums to be applied in redemption of the Principal Amount Outstanding of that Class of Notes are made to the related Noteholders.

The principal sources of funds for the payment of interest and the repayment of principal in respect of the Notes will be the Loan Sale Assets and, in particular, the Issuer's rights to payment of interest and repayment of principal under the Senior Loans.

The average lives of the Notes cannot, however, be predicted because, amongst other things, the actual rate at which the Senior Loans will be repaid or prepaid and other related factors are unknown. Calculations of possible average lives of the Notes can, however, be made based on certain assumptions. For example, based on the assumptions that, amongst other things:

- (a) the Senior Loans are not sold by the Issuer;
- (b) the Senior Loans do not default, nor are they enforced and no loss arises;
- (c) the Senior Loans are not prepaid in whole or in part (other than through Repayment Installments);
- (d) all Repayment Installments are paid when due pursuant to the Propco Facility Agreement;
- (e) the Senior Loans are repaid in full on the Loan Final Maturity Date; and
- (f) the Closing Date is 11 May 2007,

then the approximate percentage of the initial aggregate Principal Amount Outstanding of the Notes on each Note Payment Date (after application of any principal amounts) and the approximate weighted average lives of the Notes would be as follows:

Note Payment Date falling in	Class A Notes	Class B Notes	Class C Notes	Class D Notes
Closing Date	100.00%	100.00%	100.00%	100.00%
July 2007	99.88%	99.88%	99.88%	99.88%
October 2007	99.77%	99.77%	99.77%	99.77%
January 2008	99.60%	99.60%	99.60%	99.60%
April 2008	99.44%	99.44%	99.44%	99.44%
July 2008	99.27%	99.27%	99.27%	99.27%
October 2008	99.10%	99.10%	99.10%	99.10%
January 2009	98.90%	98.90%	98.90%	98.90%
April 2009	98.71%	98.71%	98.71%	98.71%
July 2009	98.51%	98.51%	98.51%	98.51%
October 2009	98.31%	98.31%	98.31%	98.31%

Note Payment Date falling in	Class A Notes	Class B Notes	Class C Notes	Class D Notes
January 2010	98.05%	98.05%	98.05%	98.05%
April 2010	97.79%	97.79%	97.79%	97.79%
July 2010	97.54%	97.54%	97.54%	97.54%
October 2010	97.28%	97.28%	97.28%	97.28%
January 2011	96.97%	96.97%	96.97%	96.97%
April 2011	96.67%	96.67%	96.67%	96.67%
July 2011	96.37%	96.37%	96.37%	96.37%
October 2011	96.06%	96.06%	96.06%	96.06%
January 2012	95.68%	95.68%	95.68%	95.68%
April 2012	95.30%	95.30%	95.30%	95.30%
July 2012	94.92%	94.92%	94.92%	94.92%
October 2012	94.54%	94.54%	94.54%	94.54%
January 2013	94.12%	94.12%	94.12%	94.12%
April 2013	93.69%	93.69%	93.69%	93.69%
July 2013	93.27%	93.27%	93.27%	93.27%
October 2013	0.00%	0.00%	0.00%	0.00%
Average Life (years)*	6.26	6.26	6.26	6.26

**The day count fraction used was "Actual/365", being the actual number of days in the related period divided by 365.*

USE OF PROCEEDS

The total gross proceeds of the issue of the Notes will be £396 million (the "**Note Proceeds**").

On the Closing Date, the Issuer will issue the Notes and apply the Note Proceeds to purchase the Loan Sale Assets from the Sellers in accordance with the terms of the Loan Sale Documents.

The fees and expenses in connection with the issue of the Notes will be met by the Borrowers.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes in the form in which (subject to modification) they will be set out in the Trust Deed. The Conditions set out below will apply to the Notes in global form.

The issue of the £231,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2031 (the "**Class A Notes**"), the £57,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2031 (the "**Class B Notes**"), the £54,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2031 (the "**Class C Notes**") and the £54,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2031 (the "**Class D Notes**" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Notes**") by Theatre (Hospitals) No. 1 PLC (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on or about 18 April 2007.

The Notes are constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated on or about 11 May 2007 (the "**Closing Date**") made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression includes its successors as trustee or any further or other trustee(s) under the Trust Deed as trustee(s) for the holders of the Notes (the "**Noteholders**")).

The proceeds of the issue of the Notes will be applied in or towards acquiring the Loan Sale Assets from the Seller.

References herein to the Notes shall include reference to:

- (a) any Global Note; and
- (b) any Definitive Notes (as defined in Condition 2.1 (*Issue of Definitive Notes*)) issued in exchange for a Global Note.

References herein to interest include references to any interest deferred in accordance with Condition 16.1 (*Interest*) and interest on such deferred interest, unless the context otherwise requires.

The Noteholders are subject to and have the benefit of an agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated the Closing Date between the Issuer, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in respect of the Notes) and as agent bank (in such capacity, the "**Agent Bank**", which expression includes any successor agent bank appointed from time to time in connection with the Notes) and Citibank International plc as Irish paying agent (the "**Irish Paying Agent**", which expression includes any successor Irish paying agent appointed from time to time in connection with the Notes and together with the Principal Paying Agent and any other paying agent appointed from time to time in connection with the Notes, the "**Paying Agents**") and the Trustee.

The security for the Notes is granted or created pursuant to a deed of charge under English law (the "**Issuer Deed of Charge**", which expression includes such deed of charge 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) dated the Closing Date and made between, among others, the Issuer and the Trustee.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Issuer Deed of Charge applicable to them and all the provisions of the other Issuer Transaction Documents (including the Issuer Account Bank

Agreement, the Servicing Agreement, the Liquidity Facility Agreement, the Cash Management Agreement, the Loan Sale Documents, the Corporate Services Agreement, the Subscription Agreement and the Master Definitions Schedule (each as defined in the master definitions schedule signed for identification by, among others, the Issuer and the Trustee on or about the Closing Date (the "**Master Definitions Schedule**")).

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the other Issuer Transaction Documents. Capitalised terms used in these Conditions but not otherwise defined shall have the meanings set out in the Master Definitions Schedule. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Schedule.

As used in these Conditions:

- (a) a reference to a "**Class of Notes**" or to a "**Class of Noteholders**" shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes or, as the case may be, the respective holders thereof and "**Classes**", in a similar context, shall be construed accordingly; and
- (b) a reference to an "**Adjusted Class of Notes**", for the purposes of determining the quorum at a meeting of Noteholders of any Class and/or for determining the majority of such Class of Noteholders, in respect of voting on (or passing in writing) a Qualifying Resolution or a Qualifying Extraordinary Resolution, shall be a reference to a Class of Notes adjusted such that:
 - (i) the aggregate Principal Amount Outstanding of the Notes of such Class shall be deemed to be 1.454 per cent. of the actual aggregate Principal Amount Outstanding of such Notes for such purposes; and
 - (ii) each Minority Senior Lender shall be deemed to be a Noteholder of such Adjusted Class of Notes for such purposes and shall be deemed to hold a proportion of such adjusted aggregate Principal Amount Outstanding of such Notes for such purposes equal to the proportion which the Relevant Senior Loan Minority Portion bears to the aggregate principal balance outstanding of the Relevant Senior Loan Minority Portion and the Senior Loans (as notified to the Trustee by the Facility Agent) as of the final date for appointing a representative to attend such meeting or signing a written resolution pursuant to the Trust Deed for such purposes and the "**Related Unadjusted Class of Notes**" means the Class of Notes without taking into account such adjustment, and each holder (including, for greater certainty, each Minority Senior Lender) will be an "**Adjusted Noteholder**" of the relevant Adjusted Class of Notes as the context requires; and
- (c) "**Most Senior Class of Notes**" means:
 - (i) the Class A Notes; or
 - (ii) if no Class A Notes are then outstanding (as defined in the Trust Deed), the Class B Notes (if, at any time, any Class B Notes are then outstanding); or
 - (iii) if no Class A Notes or Class B Notes are then outstanding, the Class C Notes (if, at any time, any Class C Notes are then outstanding); or
 - (iv) if no Class A Notes, Class B Notes or Class C Notes are then outstanding, the Class D Notes (if, at any time, any Class D Notes are then outstanding).

Copies of each of the Issuer Transaction Documents are available to Noteholders for inspection at the specified office of the Irish Paying Agent during normal business hours.

1. GLOBAL NOTES

1.1 Temporary Global Notes

The Notes of each Class will initially be represented by a temporary global Note of the relevant Class (each, a "**Temporary Global Note**") in the aggregate principal amount on issue of £231,000,000 for the Class A Notes, £57,000,000 for the Class B Notes, £54,000,000 for the Class C Notes and £54,000,000 for the Class D Notes.

The Temporary Global Notes will be deposited on behalf of the subscribers of the Notes with a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit the account of each Accountholder (as defined below) with the principal amount of Notes for which it has subscribed and paid.

1.2 Permanent Global Notes

Interests in each Temporary Global Note will be exchangeable on or after the date which falls 40 days after the Closing Date (the "**Exchange Date**"), provided certification that such beneficial owner is not a U.S. person (as defined under Regulation S under the Securities Act ("**Certification**") by the relevant Noteholders has been received, for interests in a permanent global Note of the relevant Class (each a "**Permanent Global Note**") which will also be deposited with the Common Depository unless the interests in the relevant Permanent Global Note have already been exchanged for Notes in definitive form in which event the interests in such Temporary Global Note may only be exchanged (subject to Certification) for Notes of the relevant Class in definitive form. The expression "**Global Note**" shall be read and construed to mean a Temporary Global Note or a Permanent Global Note, as the context may require. On the exchange of each Temporary Global Note for the relevant Permanent Global Note such Permanent Global Note will remain deposited with the Common Depository.

1.3 Form and title

Each Global Note shall be issued in bearer form without coupons or talons.

Title to the Global Notes will pass by delivery. Notes represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as the Notes of any Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes of that Class will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof.

For so long as the Notes of a Class are represented by one or both Global Notes in respect of that Class, the Issuer, the Trustee and all other parties may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (an "**Accountholder**") as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at,

meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed. The expressions "Noteholders" and "holder of Notes" and related expressions shall be construed accordingly.

- (a) "Class A Noteholders" means Noteholders in respect of the Class A Notes;
- (b) "Class B Noteholders" means Noteholders in respect of the Class B Notes;
- (c) "Class C Noteholders" means Noteholders in respect of the Class C Notes; and
- (d) "Class D Noteholders" means Noteholders in respect of the Class D Notes.

2. DEFINITIVE NOTES

2.1 Issue of Definitive Notes

A Global Note will be exchanged free of charge (in whole but not in part) for Notes in definitive bearer form ("**Definitive Notes**") only if at any time either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any applicable jurisdiction (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Note Payment Date (as defined below) become 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.

Thereupon, the whole of such Global Note will be exchanged for Definitive Notes (in the form provided in Condition 2.2 (*Title to and transfer of Definitive Notes*) below).

These Conditions and the Issuer Transaction Documents will be amended in such manner as the Trustee may require to take account of the issue of Definitive Notes.

2.2 Title to and transfer of Definitive Notes

Definitive Notes, if issued, will only be printed and issued in denominations of £50,000 and every denomination between £51,000 and £99,000 that is an integral multiple of £1,000. Such Notes will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.

Title to the Definitive Notes will pass by delivery.

The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Definitive Note as the absolute owner for all purposes (whether or not the Definitive Note shall be overdue and notwithstanding any notice of ownership, theft or loss, of any trust or other interest therein or of any writing on the Definitive

Note) and the Issuer, the Trustee and the Paying Agents shall not be required to obtain any proof thereof or as to the identity of such holder.

3. STATUS, SECURITY AND ISSUER PRIORITY OF PAYMENTS

3.1 Status and relationship between Classes of Notes

- (a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer. The Class A Notes rank *pari passu* without preference or priority amongst themselves.
- (b) The Class B Notes constitute direct, secured and, subject as provided in Condition 16 (*Subordination by Deferral*), unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Issuer Transaction Documents.
- (c) The Class C Notes constitute direct, secured and, subject as provided in Condition 16 (*Subordination by Deferral*), unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes and the Class B Notes as provided in these Conditions and the Issuer Transaction Documents.
- (d) The Class D Notes constitute direct, secured and, subject as provided in Condition 16 (*Subordination by Deferral*), unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, the Class B Notes and the Class C Notes as provided in these Conditions and the Issuer Transaction Documents.
- (e) The Trust Deed and the Issuer Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, equally as regards all rights, powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to:
 - (i) the interests of the Class A Noteholders for so long as the Class A Notes are outstanding, if, in the Trustee's opinion, there is a conflict between the interests of:
 - (1) the Class A Noteholders; and
 - (2) the Class B Noteholders, the Class C Noteholders and/or the Class D Noteholders; or
 - (ii) subject to paragraph (i) above, the interests of the Class B Noteholders for so long as the Class B Notes are outstanding, if, in the Trustee's opinion, there is a conflict between the interests of:
 - (1) the Class B Noteholders; and
 - (2) the Class C Noteholders and/or the Class D Noteholders; or

(iii) subject to paragraphs (i) and (ii) above, the interests of the Class C Noteholders for so long as the Class C Notes are outstanding, if, in the Trustee's opinion, there is a conflict between the interests of:

(1) the Class C Noteholders; and

(2) the Class D Noteholders.

So long as any of the Notes remain outstanding, the Trustee is not required to have regard to the interests of any Issuer Secured Creditors (other than the Noteholders) or, at any time, any other person or to act upon or comply with any direction or request of any Issuer Secured Creditor or, at any time, any other person.

(f) The Trust Deed and the Issuer Deed of Charge contain provisions that the Trustee may be directed to act only by the holders of the Most Senior Class of Notes outstanding and subject to being indemnified and/or secured to its full satisfaction.

As used in these Conditions, "**Issuer Secured Creditors**" means the Noteholders, the Trustee, any receiver or other appointee of the Trustee, the Master Servicer, the Special Servicer, the Corporate Services Provider, the Liquidity Facility Provider, the Cash Manager, the Issuer Account Bank, the Seller, the Principal Paying Agent, the Agent Bank, the Irish Paying Agent and any other Paying Agent.

3.2 Issuer Security and Issuer Priority of Payments

The Issuer Security in respect of the Notes and the other payment obligations of the Issuer under the Issuer Transaction Documents is set out in the Issuer Deed of Charge and the Cash Management Agreement. The Cash Management Agreement contains the Issuer Priority of Payments which regulate the priority of application of the Issuer Charged Property (and the proceeds thereof) among the persons entitled thereto by the Cash Manager (acting on behalf of (i) the Issuer, prior to the Trustee having taken any steps to enforce the Issuer Security and (ii) the Trustee, and with its consent, after the Trustee has taken any such steps to enforce the Issuer Security.

The Issuer Security will become enforceable on the occurrence of a Note Event of Default (or on the Note Final Maturity Date or any earlier redemption in full of the Notes, in each case upon failure to pay amounts due on the Notes). 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 (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes, or (b) the Trustee has been advised by such professional advisers as are selected by the Trustee upon whom the Trustee shall be entitled to rely, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full all amounts owing to the Noteholders and any amounts required under the Cash Management Agreement to be paid *pari passu* with, or in priority to, the Notes and that the shortfall will (or that there is a significant risk that it will) exceed the shortfall resulting from disposal of the assets comprising the Issuer Charged Property or (c) the Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Trustee has been secured and/or indemnified to its satisfaction.

"**Issuer Charged Property**" means all of the property, assets, rights and undertakings of the Issuer whatsoever and wheresoever situated, present and future, for the time being held as security (whether fixed or floating) for the Issuer Security under or pursuant to the Issuer Deed of Charge and references to the Issuer Charged Property shall be construed as including (where appropriate) references to any part of it.

4. **COVENANTS**

4.1 **Restrictions**

Save with the prior written consent of the Trustee or as provided in these Conditions or as permitted by the Issuer Transaction Documents, the Issuer shall not, so long as any of the Notes remains outstanding:

(a) *Negative pledge*

(save for the Issuer Security) create or permit to subsist any mortgage, sub-mortgage, standard security, charge, sub-charge, assignment, pledge, lien, hypothecation or other security interest whatsoever, however created or arising (unless arising by operation of law) over any of its property, assets or undertakings, present and future, (including the Issuer Charged Property) or any interest, estate, right, title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of (in each case whether by one transaction or a series of transactions) or grant any option or right to acquire any such property, assets or undertakings present or future;

(b) *Restrictions on activities*

- (i) engage in any activity whatsoever which is not, or is not reasonably incidental to, any of the activities in which the Issuer Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) open or have an interest in any account whatsoever with any bank or other financial institution, save where such account or the Issuer's interest therein is immediately charged in favour of the Trustee so as to form part of the Issuer Security;
- (iii) have any subsidiaries;
- (iv) own or lease any premises or have any employees (but shall procure that, at all times, it shall retain at least one independent director);
- (v) amend, supplement or otherwise modify its Memorandum and Articles of Association; or
- (vi) issue any further shares;

(c) *Borrowings*

incur or permit to subsist any other indebtedness in respect of borrowed money whatsoever, except in respect of the Notes, or give any guarantee or indemnity in respect of any indebtedness or any other obligation of any person;

(d) *Merger*

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

- (i) the person (if other than the Issuer) which is formed pursuant to or survives such consolidation or merger or which acquires by conveyance or transfer the properties or assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, the objects of which include the funding, purchase and administration of mortgages and mortgage loans, and who shall expressly assume, by an instrument supplemental to each of the Issuer Transaction Documents, in form and substance satisfactory to the Trustee, the obligation to make due and punctual payment of all monies owing by the Issuer, including principal and interest on the Notes, and the performance and observance of every covenant in each of the Issuer Transaction Documents to be performed or observed on the part of the Issuer;
- (ii) immediately after giving effect to such transaction, no Note Event of Default (as defined in Condition 10 (*Note Events of Default*)) shall have occurred and be continuing;
- (iii) such consolidation, merger, conveyance or transfer has been approved by Extraordinary Resolution of each Class of Noteholders;
- (iv) all persons required by the Trustee shall have executed and delivered such documentation as the Trustee may require;
- (v) the Issuer shall have delivered to the Trustee a legal opinion of English lawyers acceptable to the Trustee in a form acceptable to the Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instruments and other documents comply with paragraphs (i) and (iv) above and are binding on the Issuer (or any successor thereto) or, as the case may be, the person referred to in paragraph (i) above;
- (vi) the then current ratings of the Notes are not adversely affected by such consolidation, merger, conveyance or transfer;

(e) *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;

(f) *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 Issuer Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(g) *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 Issuer Deed of Charge;

(h) *Centre of main interests*

cause or allow its "*centre of main interests*" (within the meaning of Council Regulation (EC) no. 1346/2000 on insolvency proceedings) to be in, or maintain an "*establishment*" in, any jurisdiction other than England and Wales;

(i) *Other*

cause or permit the validity or effectiveness of any of the Issuer Transaction 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 Trust Deed, the Issuer Deed of Charge or any of the other Issuer Transaction Documents, or dispose of any part of the Issuer Charged Property;

(j) *Bank accounts*

have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Trustee on terms acceptable to it;

(k) *Value added tax*

apply to become part of any group for the purposes of sections 43 to 43D (inclusive) of the Value Added Tax Act 1994 or the Value Added Tax (Groups: eligibility) Order 2004 with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the said legislation; or

(l) *Surrender of group relief*

offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988.

4.2 **Master Servicer**

(a) So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a master servicer (the "**Master Servicer**") for the servicing of the Senior Loans and the performance of the other administrative duties set out in the Servicing Agreement.

(b) The Servicing Agreement will provide that (i) the Master Servicer will not be permitted to terminate its appointment unless a replacement master servicer acceptable to the Issuer and the Trustee has been appointed and (ii) the appointment of the Master Servicer may be terminated by the Trustee (with the consent of the Theatre (Hospitals) No. 2 Trustee) if, among other things, the Master Servicer defaults in any material respect in the observance and performance of any obligation imposed on it under the Servicing Agreement, which default is not remedied within 30 Note Business Days

after written notice of such default shall have been served on the Master Servicer by the Issuer or the Trustee.

4.3 **Special Servicer**

If any Adjusted Class of Noteholders is the Controlling Creditor, then the Issuer, upon being so instructed by a Qualifying Resolution of that Adjusted Class of Noteholders, will exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of the relevant Whole Senior Loan subject to the conditions of the Servicing Agreement, *provided that*, the termination of the Special Servicer and any such appointment of a substitute or successor special servicer by the Issuer will not be effective until Theatre (Hospitals) No. 2 has consented to the appointment of such substitute or successor special servicer (as directed by the controlling creditor of the Theatre (Hospitals) No. 2 Notes (as determined in accordance with the terms and conditions thereof)).

In the event that the controlling creditor of Theatre (Hospitals) No. 2 instructs Theatre (Hospitals) No. 2 (in accordance with the terms and conditions of the Theatre (Hospitals) No. 2 Notes) to exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of the relevant Whole Senior Loan, the termination of the Special Servicer and such appointment of a substitute or successor special servicer will not be effective until the Issuer has consented to the appointment of such substitute or successor special servicer. The Issuer shall not consent to such appointment unless instructed to do so by a Qualifying Resolution of the Adjusted Class of Noteholders which is the Controlling Creditor at that time.

"**Controlling Creditor**" means, at any time:

- (a) the holders of the most junior Adjusted Class of Notes for which the Related Unadjusted Class of Notes then has an aggregate Principal Amount Outstanding greater than 25 per cent. of its aggregate Principal Amount Outstanding on the Closing Date; or
- (b) if no Related Unadjusted Class of Notes then has an aggregate Principal Amount Outstanding greater than 25 per cent. of its aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Adjusted Class of Notes.

4.4 **Operating Adviser**

If any Adjusted Class of Noteholders is the Controlling Creditor, it may, by a Qualifying Resolution passed by the relevant Adjusted Class of Noteholders, appoint an adviser (the Operating Adviser) with whom the Special Servicer will be required to liaise in accordance with the terms of the Servicing Agreement.

4.5 **Junior Lenders**

If any amount remains due and payable to a junior lender for the time being (the "**Junior Lenders**") in respect of the junior tranche of the loans originated by Barclays Bank PLC pursuant to the Propco Facility Agreement (the "**Junior Loans**"), the rights of the Issuer and any Special Servicer will be subject to the rights of the Junior Lenders under the intercreditor agreement with respect thereto dated 15 December 2006.

5. INTEREST AND STEP-UP FEES

5.1 Period of accrual

The Notes will bear interest from (and including) the Closing Date. The Notes will bear Step-up Fees from (and including) the Step-up Date. Interest (and Step-up Fees) shall cease to accrue on any part of the Principal Amount Outstanding of any Note from the due date for redemption unless, upon due presentation, payment of principal or any part thereof due is improperly withheld or refused or any other default is made in respect thereof. In such event, interest (and Step-up Fees) will continue to accrue as provided in the Trust Deed.

5.2 Note Payment Dates and Note Interest Periods

Interest on the Notes and, from and including the Step-up Date, the Step-up Fee with respect to each Class of Notes, are, subject as provided below in relation to the first payment of interest, payable quarterly in arrear on 15 January, 15 April, 15 July and 15 October in each year or, if any such day is not a Note Business Day (as defined below), the next succeeding Note Business Day (unless the next succeeding Note Business Day falls in the next calendar month, in which case that date will be the first preceding day that is a Note Business Day) (each, a "**Note Payment Date**"). The first such payment of interest on the Notes is due on the Note Payment Date falling in July 2007 in respect of the period from (and including) the Closing Date to (but excluding) that Note Payment Date. Each period from (and including) a Note Payment Date (or the Closing Date, in the case of the first Note Interest Period) to (but excluding) the next (or, in the case of the first Note Interest Period, the first) Note Payment Date is in these Conditions called a "**Note Interest Period**".

5.3 Rates of Interest

The rate of interest payable from time to time (the "**Rate of Interest**") and the Interest Payment (as defined below) in respect of each Class of Notes will be determined by the Agent Bank on the basis of the following provisions:

- (a) The Agent Bank will, at or as soon as practicable after 11.00 a.m. (London time) on the Note Business Day that falls on the first day of each Note Interest Period (each, an "**Interest Determination Date**"), determine the Rate of Interest applicable to each Class of Notes, and calculate the amount of interest payable on each of the Notes (each payment so calculated, an Interest Payment), for such Note Interest Period. The Rate of Interest applicable to the Notes of each Class for any Note Interest Period will be equal to:
 - (i) in the case of the Class A Notes, LIBOR (as determined in accordance with Condition 5.3(b) (*Determination of LIBOR*)) plus a margin of 0.41 per cent. per annum;
 - (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.46 per cent. per annum;
 - (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.70 per cent. per annum; and
 - (iv) in the case of the Class D Notes, LIBOR (as so determined) plus a margin of 0.95 per cent. per annum.

The Interest Payment in relation to a Note of a particular Class shall be calculated by applying the Rate of Interest applicable to the Notes of that Class to the Principal Amount Outstanding of each Note of that Class, multiplying the product of such calculation by the actual number of days in the relevant Note Interest Period divided by 365 and rounding the resultant figure to the nearest penny (fractions of half a penny being rounded downwards).

For the purposes of these Conditions:

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

(b) **Determination of LIBOR**

For the purposes of determining the Rate of Interest in respect of each Class of Notes under Condition 5.3(a), LIBOR will be determined by the Agent Bank on the basis of the following provisions:

- (i) on each Interest Determination Date, the Agent Bank will determine the interest rate for three month sterling deposits (or, in respect of the first Note Interest Period, the linear interpolation of the rate for 2 and 3 month sterling deposits) in the London inter-bank market which appears on Reuters Screen No. LIBOR 01 (or such other page as may replace Reuters Screen No. LIBOR 01 on that service for the purpose of displaying such information) (the "**LIBOR Screen Rate**") at or about 11.00 a.m. (London time) on such date; or
- (ii) if the LIBOR Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.000005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four reference banks duly appointed for such purpose (the "**Reference Banks**") (provided that, once a Reference Bank has been appointed by the Agent Bank that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such) as the rate at which three month deposits in sterling in an amount of £10,000,000 are offered for the same period as that Note Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 a.m. (London time) on that Interest Determination Date (or, in respect of the first Note Interest Period, the arithmetic mean of a linear interpolation of such rates for 2 and 3 month sterling deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two 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 of the Reference Banks provides 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 one additional bank to provide such a quotation to the Agent Bank (which bank is in the sole opinion of the Trustee suitable for such purpose) and the rate for the Note Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of the Reference Bank and such bank as so agreed. If no Reference Bank provides the Agent

Bank with such an offered quotation or no such bank is so agreed or such bank as so agreed does not provide such a quotation, then the rate for the relevant Note Interest Period shall be the rate in effect for the last preceding Note Interest Period.

(c) There will be no minimum or maximum Rate of Interest.

5.4 Determination of Step-up Fees

The Agent Bank shall, as soon as reasonably practicable after 11.00 a.m. (London time) on each Interest Determination Date from (and including) the Step-up Date, but in no event later than the third Note Business Day thereafter, determine the Step-up Fees payable in respect of the relevant Note Interest Period in respect of each Class of Notes.

The "**Class A Step-up Fee**" shall be calculated by applying the Class A Step-up Fee Rate to the aggregate Principal Amount Outstanding of the Class A Notes, multiplying such sum by the actual number of days in the Note Interest Period divided by 365 or (in the case of a Note Interest Period ending in a leap year) 366 and rounding the resulting figure downwards to the nearest penny;

The "**Class B Step-up Fee**" shall be calculated by applying the Class B Step-up Fee Rate to the aggregate Principal Amount Outstanding of the Class B Notes, multiplying such sum by the actual number of days in the Note Interest Period divided by 365 or (in the case of a Note Interest Period ending in a leap year) 366 and rounding the resulting figure downwards to the nearest penny.

The "**Class C Step-up Fee**" shall be calculated by applying the Class C Step-up Fee Rate to the aggregate Principal Amount Outstanding of the Class C Notes, multiplying such sum by the actual number of days in the Note Interest Period divided by 365 or (in the case of a Note Interest Period ending in a leap year) 366 and rounding the resulting figure downwards to the nearest penny.

The "**Class D Step-up Fee**" (together with the Class A Step-up Fees, the Class B Step-up Fee and the Class D Step-up Fee, the "**Step-up Fees**") shall be calculated by applying the Class D Step-up Fee Rate to the aggregate Principal Amount Outstanding of the Class D Notes, multiplying such sum by the actual number of days in the Note Interest Period divided by 365 or (in the case of a Note Interest Period ending in a leap year) 366 and rounding the resulting figure downwards to the nearest penny.

In these Conditions:

"**Class A Step-up Fee Rate**" means 0.41 per cent. per annum;

"**Class B Step-up Fee Rate**" means 0.46 per cent. per annum;

"**Class C Step-up Fee Rate**" means 0.70 per cent. per annum;

"**Class D Step-up Fee Rate**" means 0.95 per cent. per annum; and

"**Step-up Date**" means 15 October 2013.

5.5 Publication of Rate of Interest, Interest Payments and Step-up Fees

The Agent Bank will cause the Rate of Interest, the Interest Payment and Step-up Fees relating to each Class of Notes for each Note Interest Period and the Note Payment Date to be forthwith notified to the Issuer, the Trustee, the Cash Manager, the Paying Agents, the Noteholders and, for so long as the Notes are listed on Irish Stock Exchange Limited (the "**Stock Exchange**"), the Stock Exchange within two Note Business Days of the relevant Interest Determination Date. The Interest Payments, Note Payment Date and Step-up Fees so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Note Interest Period in accordance with Condition 5 (*Interest and Step-up Fees*).

5.6 Determination or calculation by the Trustee

If the Agent Bank at any time for any reason does not determine the Rates of Interest or calculate an Interest Payment in accordance with Condition 5.3 (*Rates of Interest*) above or determine a Step-up Fee in accordance with Condition 5.4 (*Determination of Step-up Fees*) above, the Trustee shall procure the determination of the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 5.3 (*Rates of Interest*) above), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment or Step-up Fee in accordance with Condition 5.3 (*Rates of Interest*) or 5.4 (*Determination of Step-up Fees*) above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

5.7 Notification to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Interest and Step-up Fees*), 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 Paying Agents, the Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders or any other person shall attach to the Issuer, the Reference Banks, the Cash Manager, the Agent Bank, the Paying Agents or the Trustee in connection with the exercise by them or any of their powers, duties and discretions under this Condition.

5.8 Agent Bank

The Issuer will procure that, so long as any of the Notes remain outstanding, there will at all times be an Agent Bank. The Issuer reserves the right at any time with the prior written consent of the Trustee to terminate the appointment of the Agent Bank. Notice of any such termination will be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*). If any person shall be unable or unwilling to continue to act as the Agent Bank, or if the appointment of the Agent Bank shall be terminated, the Issuer will, with the written approval of the Trustee, appoint a successor Agent Bank to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved in writing by the Trustee has been appointed.

6. REDEMPTION

6.1 Final redemption

Save to the extent otherwise redeemed in full and cancelled in accordance with this Condition 6, the Issuer shall redeem the Notes of each Class at their respective Principal Amounts Outstanding plus interest and Step-up Fees accrued and unpaid on the Note Payment Date in October 2031 (the "Note Final Maturity Date").

Without prejudice to Condition 10 (*Note Events of Default*) and Condition 11 (*Enforcement*), the Issuer shall not redeem Notes in whole or in part prior to that date except as provided in Condition 6.2 (*Redemption for taxation or other reasons*) or Condition 6.3 (*Mandatory redemption in part from Available Issuer Principal and Available Release Premium Amounts*) or Condition 6.4 (*Redemption upon exercise of Servicer Call Option*).

6.2 Redemption for taxation or other reasons

- (a) If the Issuer at any time satisfies the Trustee that:
- (i) on or before the occasion of the next Note Payment Date, the Issuer would become subject to tax on its income in more than one jurisdiction;
 - (ii) on the occasion of the next Note Payment Date, the Issuer or a person acting on behalf of the Issuer would be required to make any withholding or deduction for or on account of any Taxes (as defined in Condition 9 (*Taxation*)) from any payment of principal, interest or other amount in respect of any of the Notes;
 - (iii) on or before the occasion of the next Note Payment Date, the Issuer would suffer any withholding or deduction from any payment in respect of a Loan for or on account of any Taxes; or
 - (iv) by reason of a change of law since the Closing Date, it has become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any advances made or to be made by it under the Propco Facility Agreement,

then the Issuer shall, in order to address the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as the principal debtor under the Notes, which substitution would have the result of avoiding the event described above.

- (b) If the Issuer is unable, having used its reasonable endeavours, to arrange such a substitution described above, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 15 (Notice to Noteholders), redeem all (but not some only) of the Notes at their respective Principal Amounts Outstanding together with accrued interest and Step-up Fees on the next Note Payment Date, provided that, prior to giving any such notice, the Issuer shall have delivered to the Trustee: (A) a certificate in a form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that the event described in Condition 6.2(a)(i), (ii) or (iii) will apply on or before the occasion of the next Note Payment Date or the event described in Condition 6.2(a)(iv) has occurred (as the case may be) and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds, not

subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the relevant Issuer Priority of Payments to be paid *pari passu* with, or in priority to, the Notes; and (B) in the case of an event described in Condition 6.2(a)(iii) or (iv), a legal opinion in form and substance satisfactory to the Trustee from a firm of lawyers in the Issuer's jurisdiction (approved in writing by the Trustee), opining on the withholding or illegality (as the case may be). The Trustee shall (in the absence of manifest error) accept the certificate and, as the case may be, legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

6.3 Mandatory redemption in part from Available Issuer Principal and Available Release Premium Amounts

Prior to the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the Notes then outstanding shall be subject to mandatory redemption in part on each Note Payment Date in accordance with this Condition 6.3 if on such Note Payment Date there is Available Issuer Principal or Available Release Premium Amounts (as the case may be) in an amount not less than £1.

For the purposes of these Conditions:

"Available Issuer Principal" means, with respect to any Note Payment Date, amounts standing to the credit of the Principal Ledger or amounts to be credited to the Principal Ledger on such Note Payment Date constituting Principal Collections.

"Available Release Premium Amounts" means, with respect to any Note Payment Date, amounts standing to the credit of the Release Premium Ledger or amounts to be credited to the Release Premium Ledger on such Note Payment Date constituting Release Premium Amounts as at that Note Payment Date.

"Loan Enforcement Action" means:

- (a) the acceleration of any liabilities under the Senior Loans or the declaration that any such liabilities are prematurely due and payable (other than any mandatory prepayment under any of the Finance Documents) or payable on demand or the premature termination or close out of any of the liabilities under the Hedge Agreements;
- (b) the taking of any steps to enforce or require the enforcement of the Borrower Security;
- (c) the making of any demand against any Obligor in relation to any guarantee, indemnity or other assurance against loss in respect of any liabilities under the Finance Documents;
- (d) the exercise of any right of set-off against any Obligor in respect of any liabilities under the Finance Documents;
- (e) the entering into of any composition, assignment or arrangement with any Obligor; or
- (f) the petitioning, applying or voting for, or the taking of any steps (including the appointment of a liquidator, receiver, administrator or similar officer) in relation to,

the winding up, dissolution, administration or reorganisation of any Obligor or any suspension of payments or moratorium of any indebtedness of any Obligor, or any analogous procedure or step.

"**Note Calculation Date**" means, in respect of each Note Payment Date, the third Note Business Day prior to that Note Payment Date.

"**Principal Collections**" means the aggregate amount of principal received by or on behalf of the Issuer in respect of the Senior Loans excluding Release Premium Amounts but including (i) principal payments received in respect of a Senior Loan as a result of the repayment of such Senior Loan on the Loan Final Maturity Date; (ii) principal payments received by or on behalf of the Issuer in respect of the Senior Loans as a result of any prepayment in part or in full made by a Borrower under the Propco Facility (including the scheduled amortisation of the Propco Loans, but excluding Release Premium Amounts); (iii) principal payments received as a result of a repurchase of any Senior Loan by the Sellers pursuant to the Loan Sale Agreement; (iv) principal payments received as a result of the purchase of the Senior Loans by any Junior Lender pursuant to the Intercreditor Agreement; (v) principal payments received as a result of the purchase of the Senior Loans by the Master Servicer or the Special Servicer pursuant to the Servicing Agreement; and (vi) principal payments recovered by or on behalf of the Issuer as a result of actions taken in accordance with the enforcement procedures in respect of a Senior Loan.

"**Release Premium Amount**" means, with respect to a disposal of a Property or the shares in a Borrower, the amount by which the Release Amount exceeds the Allocated Loan Amount of the relevant Property.

(a) *Application of Available Issuer Principal pre-Loan Enforcement Action*

Prior to any Loan Enforcement Action, Available Issuer Principal determined on each Note Calculation Date shall be applied on the immediately following Note Payment Date in repaying, *pari passu* and *pro rata*, principal on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes according to the Principal Amount Outstanding of each Class on the relevant Note Payment Date.

(b) *Application of Available Release Premium Amounts pre-Loan Enforcement Action*

Prior to any Loan Enforcement Action, Available Release Premium Amounts determined on each Note Calculation Date shall be applied on the immediately following Note Payment Date in the following order of priority:

- (i) *firstly*, an amount equal to 80 per cent. of the Available Release Premium Amounts:
 - (1) *first*, in repaying, *pari passu* and *pro rata*, principal on the Class A Notes until all the Class A Notes have been redeemed in full;
 - (2) *second*, in repaying, *pari passu* and *pro rata*, principal on the Class B Notes until all the Class B Notes have been redeemed in full;
 - (3) *third*, in repaying, *pari passu* and *pro rata*, principal on the Class C Notes until all the Class C Notes have been redeemed in full; and

- (4) *fourth*, in repaying, *pari passu* and *pro rata*, principal on the Class D Notes until all the Class D Notes have been redeemed in full; and
- (ii) *secondly*, an amount equal to 20 per cent. of the Available Release Premium Amounts:
 - (1) *first*, in repaying, *pari passu* and *pro rata*, principal on the Class B Notes until all the Class B Notes have been redeemed in full;
 - (2) *second*, in repaying, *pari passu* and *pro rata*, principal on the Class C Notes until all the Class C Notes have been redeemed in full; and
 - (3) *third*, in repaying, *pari passu* and *pro rata*, principal on the Class D Notes until all the Class D Notes have been redeemed in full.
- (c) *Application of Available Issuer Principal and Available Release Premium Amounts post-Loan Enforcement Action*

Following any Loan Enforcement Action but prior to the service of a Note Enforcement Notice or the Notes otherwise becoming due and repayable in full, the aggregate Available Issuer Principal and Available Release Premium Amounts determined on each Note Calculation Date shall be applied on the immediately following Note Payment Date in the following order of priority:

- (i) *first*, in repaying, *pari passu* and *pro rata*, principal on the Class A Notes until all the Class A Notes have been redeemed in full;
- (ii) *second*, in repaying, *pari passu* and *pro rata*, principal on the Class B Notes until all the Class B Notes have been redeemed in full;
- (iii) *third*, in repaying, *pari passu* and *pro rata*, principal on the Class C Notes until all the Class C Notes have been redeemed in full; and
- (iv) *fourth*, in repaying, *pari passu* and *pro rata*, principal on the Class D Notes until all the Class D Notes have been redeemed in full.
- (d) *Application of Prepayment Fees*

On each Note Payment Date, all amounts received or recovered by the Issuer in respect of any Prepayment Fees during the related Collection Period will be applied by the Cash Manager on behalf of the Issuer or, from and including the time at which the Trustee takes any steps to enforce the Issuer Security, the Trustee (or, with the consent of the Trustee, the Cash Manager on its behalf) in or towards payment of any amount in respect of Deferred Consideration to the Sellers or their assignees in accordance with the terms of the Loan Sale Agreement.

6.4 **Redemption upon exercise of Servicer Call Option**

Each of the Master Servicer and the Special Servicer has been granted a call option (the "**Servicer Call Option**") pursuant to which it may, at its sole discretion, purchase all (and not part only) of the Senior Loans and the Theatre (Hospitals) No. 2 Portion (together with any outstanding Property Protection Advances or Hedge Protection Advances) on any Note Payment Date provided (i) written notice is given by the Master Servicer or the Special Servicer, as

applicable, in accordance with the Servicing Agreement, to, amongst others, the Issuer and to the Trustee, (ii) written notice that it shall redeem all (and not part only) the Notes on such Note Payment Date is given by the Issuer to the Trustee and to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) not more than 60 nor less than 30 days' prior to such purchase, (iii) that on the Note Calculation Date relating to such Note Payment Date, (a) no Note Enforcement Notice in relation to the Notes has been served and the Notes have not otherwise become due and repayable in full; and (b) no note enforcement notice has been served in respect of the Theatre (Hospitals) No. 2 Notes and the Theatre (Hospitals) No. 2 Notes have not otherwise become due and repayable in full; (iv) that the Master Servicer or the Special Servicer (or their respective assigns) as applicable, has, prior to giving such notice, certified to the Trustee that it will have the necessary funds to discharge on such Note Payment Date all of the Issuer's liabilities in respect of the Notes to be redeemed under this Condition 6.4 and any amounts required under the relevant Issuer Priority of Payments to be paid on such Note Payment Date which rank prior to, or *pari passu* with, the Notes, which certificate (in the absence of manifest error) shall be conclusive and binding, (v) the aggregate Principal Amount Outstanding of the Notes immediately following the redemption of the Notes in accordance with Condition 6.3 (*Mandatory redemption in part from Available Issuer Principal and Available Release Premium Amounts*) on such Note Payment Date is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date, and (vi) the aggregate principal amount outstanding of the Theatre (Hospitals) No. 2 Notes then outstanding following the redemption of the Theatre (Hospitals) No. 2 Notes in accordance with their terms and conditions on such Note Payment Date is less than 10 per cent. of the aggregate principal amount outstanding of the Theatre (Hospitals) No. 2 Notes as at the Closing Date.

The written notice referred to in paragraph (ii) above shall specify that the Issuer shall redeem all (and not part only) of the Notes on such Note Payment Date in the following order of priority:

- (i) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest and Step-up Fees accrued and unpaid thereon; and
- (ii) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest and Step-up Fees accrued and unpaid thereon; and
- (iii) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest and Step-up Fees accrued and unpaid thereon; and
- (iv) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest and Step-up Fees accrued and unpaid thereon.

6.5 Notice of redemption

Any such notice as is referred to in Conditions 6.2 (*Redemption for taxation or other reasons*), 6.4 (*Redemption upon exercise of Servicer Call Option*) 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.

6.6 **Purchase**

The Issuer shall not purchase any of the Notes.

6.7 **Cancellation**

All Notes redeemed in full will be cancelled forthwith and may not be reissued.

6.8 **Principal Amount Outstanding**

"**Principal Amount Outstanding**" means, in respect of any Note at any time, the principal amount represented by that Note as at the Closing Date as reduced by any repayment of principal to the holder of the Note up to (and including) that time.

7. **PAYMENTS**

7.1 Payments of principal and interest in respect of the Notes will be made in sterling against presentation and, where applicable, surrender of the relevant Global Notes at the specified office of the Principal Paying Agent or, at the option of the holder of the relevant Global Notes, at the specified office of any other Paying Agent outside the United States of America subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Payments of principal and interest will in each case be made by sterling cheque drawn on a bank in London or, at the option of the holder, by transfer to a sterling denominated account maintained by the payee with a branch of a bank in London. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Paying Agent to which such Global Note was presented for the purpose of making such payment, and such record shall be prima facie evidence that the payment in question has been made. Payments of principal and interest in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto and to normal banking practice.

7.2 For so long as the Notes are in global form, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as being entitled to a particular principal amount of Notes will be deemed to be the holder of such principal amount for all purposes save that none of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as being so entitled shall have any claim directly against the Issuer or the Trustee in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer or the Trustee, as the case may be, shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.

7.3 A holder shall be entitled to present a Note for payment only on a Payment Day and shall not, except as provided in Condition 5 (*Interest and Step-up Fees*), be entitled to any further interest or other payment if a Payment Day is after the due date.

"**Payment Day**" means a day which (subject to Condition 8 (*Prescription*)):

- (i) is or falls after the relevant due date;
- (ii) is a Business Day in the place of the specified office of the Paying Agent at which the Global Note is presented for payment; and
- (iii) in the case of payment by transfer to a sterling denominated account in London as referred to in Condition 7.1 above, is a Business Day in London.

In this Condition 7.3, "**Business Day**" means, in relation to any place, 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 that place.

7.4 The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (i) there will at all times be a Principal Paying Agent;
- (ii) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Notes are admitted to the Official List of the Irish Stock Exchange, shall be Dublin; and
- (iii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination of appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 15 (*Notice to Noteholders*).

8. **PRESCRIPTION**

Claims in respect of the Notes shall become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date. In this Condition 8, the "**relevant date**" means the date on which a payment first becomes due or (if the full amount of the monies payable has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which notice that the full amount of such monies has been received is duly given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

9. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer or any Paying Agent will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature and all interest, penalties or similar liabilities with respect thereto ("**Taxes**") unless such withholding or deduction is required by law. In that event, the Issuer or 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 Noteholders in respect of any such withholding or deduction.

10. **NOTE EVENTS OF DEFAULT**

10.1

- (a) If a Note Event of Default (as defined in Condition 10.1(c)) (other than a Note Event of Default pursuant to Condition 10.1(c)(viii)) occurs, then:

- (i) the Trustee will, in its absolute discretion, be entitled to, and must, if:
 - (1) it is directed to do so in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
 - (2) it is directed to do so by an Extraordinary Resolution of holders of the Most Senior Class of Notes then outstanding; andin each case, provided that it has been indemnified and/or secured to its satisfaction, serve notice (a "**Note Enforcement Notice**") on the Issuer declaring the Notes to be immediately due and repayable; and
 - (ii) the Issuer Security will become enforceable.
- (b) If a Note Event of Default pursuant to Condition 10.1(c)(viii) occurs, then:
- (i) the Trustee must if (and only if) it is directed to do so by an Extraordinary Resolution of holders of each Class of Notes then outstanding and provided that it has been indemnified and/or secured to its satisfaction, serve a Note Enforcement Notice on the Issuer declaring the Notes to be immediately due and repayable; and
 - (ii) the Issuer Security will become enforceable.
- (c) Each of the following events is, subject to Condition 10.2, a "**Note Event of Default**":
- (i) default being made for a period of three Note Business Days in the payment of any principal of, or default is made for a period of five Note Business Days in the payment of any interest or Step-up Fees on, any Note when and as the same ought to be paid in accordance with these Conditions (provided that a deferral of interest and/or Step-up Fees in accordance with Condition 16 (*Subordination by Deferral*) shall not constitute a default in the payment of such interest or Step-up Fees for the purposes of this Condition 10.1(c)(i)); or
 - (ii) breach by the Issuer of any representation or warranty made by it in these Conditions, the Trust Deed or any of the other Issuer Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such breach is incapable of remedy, when no notice will be required), such breach continues for a period of 30 days following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or
 - (iii) the Issuer failing duly to perform or observe any other obligation, condition or provision binding upon it under these Conditions, the Trust Deed or any of the other Issuer Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy, when no notice will be required), such failure continuing for a period of 30 days following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or

- (iv) the Issuer, otherwise than for the purposes of such a pre-approved amalgamation or reconstruction as is referred to in sub-paragraph (vi) below, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business (or a substantial part thereof); or
- (v) the Issuer is or becomes unable to pay its debts within the meaning of section 123(1)(e) of the Insolvency Act 1986; or
- (vi) an order being made or an effective resolution being passed for the winding-up of the Issuer, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved in writing by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding; or
- (vii) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, an application to the court for an administration order), or an administration order being granted or an administrative receiver or other receiver (including documents being filed with the court for the appointment of an administrator or notice of intention to appoint an administrator being served), liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer, and such proceedings, distress, execution or process (as the case may be) not being discharged or not otherwise ceasing to apply within 15 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or
- (viii) a declaration by the Agent that all of the Propco Loans be payable on demand pursuant to Clause 7.9 (*Mandatory Prepayments (Tenant incurrence test)*) of the Propco Facility Agreement.

10.2 In respect of the events described in sub-paragraphs (ii) and (iii) of Condition 10.1(c), the relevant event will not constitute a Note Event of Default unless the Trustee first certifies to the Issuer that such event is, in the opinion of the Trustee, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding. Upon service of a Note Enforcement Notice, each Note shall become immediately due and repayable at its Principal Amount Outstanding together with accrued but unpaid interest and Step-up Fees as provided in the Trust Deed and the Issuer Deed of Charge (but subject to the Issuer Post-Enforcement Priority of Payments).

11. ENFORCEMENT

11.1 The Trustee may, at its discretion and without notice at any time and from time to time, take such proceedings or other action as it may think fit to enforce the provisions of the Notes and the Trust Deed (including these Conditions), the Issuer Deed of Charge or any of the other Issuer Transaction Documents to which it or the Issuer is a party, provided that, subject to

Condition 11.3 below, enforcement of the Issuer Security shall be the only remedy available to the Trustee for the repayment of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and the payment of accrued interest and, at any time after the Issuer Security has become enforceable, the Trustee may take such steps as it may think fit to enforce the Issuer Security. The Trustee shall not be bound to take any such proceedings, action or steps unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding for the time being of the Most Senior Class of Notes outstanding and (b) it shall have been secured and/or indemnified to its satisfaction.

- 11.2 Subject to Condition 11.3 below, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Issuer Transaction Documents or to enforce the Issuer Security unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Issuer Secured Creditors (other than the Noteholders) under the Issuer Deed of Charge.
- 11.3 If the Trustee has taken enforcement action under the Issuer Deed of Charge and distributed all of the resulting proceeds (including the proceeds of realising the security thereunder), to the extent that any amount is still owing to any Noteholder (a "**Shortfall**"), any such Noteholder shall be entitled to proceed directly against the Issuer in order to claim such Shortfall and the Trustee shall not be responsible for any liability occasioned thereby, nor shall it vouch for the validity of such claim.

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND DISCRETIONS**

- 12.1 The Trust Deed contains provisions for convening meetings of Noteholders of any Class (including a meeting of the holders of any Adjusted Class of Notes) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (or, as the case may be, a Qualifying Extraordinary Resolution) of a modification of these Conditions or the provisions of any of the Issuer Transaction Documents or any other documents affecting the rights and benefits of the Issuer which are comprised in the Issuer Security.

The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution or a Qualifying Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant Class (or of the Adjusted Class of Notes in the case of a Qualifying Extraordinary Resolution) then outstanding or, at any adjourned meeting, one or more persons being or representing the Noteholders of the relevant Class (or the Adjusted Class of Notes in the case of a Qualifying Extraordinary Resolution) whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class (or the Adjusted Class of Notes in the case of a Qualifying Extraordinary Resolution) so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution or a Qualifying Extraordinary Resolution shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting, not less than 33 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant Class (or of the Adjusted Class of Notes in the case of a Qualifying Extraordinary Resolution) for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all the Class B Noteholders, the Class C Noteholders and the Class D Noteholders,

irrespective of its effect upon them except an Extraordinary Resolution to sanction (A) a modification of these Conditions or the provisions of any of the Issuer Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or the Issuer Deed of Charge, which shall not take effect unless (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of each of the other Classes of Notes; or (ii) it shall have been sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding; or (B) any modification, waiver or authorisation in respect of a provision of these Conditions or any other Issuer Transaction Document relating to the rights of the Adjusted Classes of Noteholders, Qualifying Extraordinary Resolutions or Qualifying Resolutions (and "**Adjusted Class Modification**") which shall not take effect unless it shall have been sanctioned by a Qualifying Extraordinary Resolution of the holders of each Adjusted Class of Notes.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders shall be binding on all the Class C Noteholders and the Class D Noteholders, irrespective of its effect upon them except (other than an Extraordinary Resolution referred to in the previous paragraph) an Extraordinary Resolution to sanction (A) a modification of these Conditions or the provisions of any of the Issuer Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or the Issuer Deed of Charge, which shall not take effect unless (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of each of the other Classes of Notes; or (ii) it shall have been sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes; or (B) an Adjusted Class Modification which shall not take effect unless it shall have been sanctioned by a Qualifying Extraordinary Resolution of the holders of each Adjusted Class of Notes.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders shall be binding on all the Class D Noteholders, irrespective of its effect upon them except (other than an Extraordinary Resolution referred to in the previous paragraphs) an Extraordinary Resolution to sanction (A) a modification of these Conditions or the provisions of any of the Issuer Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or the Issuer Deed of Charge, which shall not take effect unless (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the holders of each of the other Classes of Notes; or (ii) it shall have been sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes; or (B) an Adjusted Class Modification which shall not take effect unless it shall have been sanctioned by a Qualifying Extraordinary Resolution of the holders of each Adjusted Class of Notes.

A Qualifying Extraordinary Resolution passed at any meeting of the Adjusted Class A Noteholders shall be binding on all the Adjusted Class B Noteholders, the Adjusted Class C Noteholders and the Adjusted Class D Noteholders (and, for greater certainty, shall be binding on each Minority Senior Lender in its capacity of an Adjusted Noteholder of each relevant Adjusted Class of Notes) irrespective of its effect upon them.

A Qualifying Extraordinary Resolution passed at any meeting of the Adjusted Class B Noteholders shall be binding on all the Adjusted Class C Noteholders and the Adjusted Class D Noteholders (and, for greater certainty, shall be binding on each Minority Senior Lender in its capacity of an Adjusted Noteholder of each relevant Adjusted Class of Notes) irrespective of its effect upon them.

A Qualifying Extraordinary Resolution passed at any meeting of the Adjusted Class C Noteholders shall be binding on all the Adjusted Class D Noteholders (and, for greater certainty, shall be binding on each Minority Senior Lender in its capacity of an Adjusted Noteholder of each relevant Adjusted Class of Notes) irrespective of its effect upon them.

As used in these Conditions and the Trust Deed:

- (i) **"Extraordinary Resolution"** means (a) a resolution passed at a meeting of a Class of Noteholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three quarters of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of not less than 90 per cent. in aggregate Principal Amount Outstanding of the Noteholders of a Class, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of that Class and shall be as valid, effective and binding as a resolution duly passed at such a meeting;
- (ii) **"Basic Terms Modification"** means, in respect of a Class of Notes:
 - (A) a change in the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of such Notes;
 - (B) alteration of the currency in which payments under such Notes are to be made;
 - (C) alteration of the quorum or majority required to pass an Extraordinary Resolution;
 - (D) the sanctioning of any such scheme or proposal in respect of such Notes as is described in paragraph 19(i) of Schedule 4 to the Trust Deed;
 - (E) alteration of this definition or the provisos to paragraphs 7 and/or 19 of Schedule 4 to the Trust Deed;
 - (F) alteration of the Issuer Pre-Enforcement Revenue Priority of Payments, the Issuer Pre-Enforcement Principal Priorities of Payments or the Issuer Post-Enforcement Priority of Payments; and
 - (G) alteration of the Issuer Charged Property or amendment to any of the documents relating to the Issuer Charged Property or any other provision of the Issuer Security;
- (iii) **"Qualifying Extraordinary Resolution"** means (i) a resolution passed at a meeting of the holders of an Adjusted Class of Notes duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three fourths of votes cast on such poll or a resolution in writing signed by not less than 90 per cent. of the adjusted Principal Amount Outstanding of the holders of the Adjusted Class of Notes which resolution in writing may be contained in one or in several documents in like form each signed by or on behalf one or more of the holders of that Adjusted Class of Notes and shall be valid, effective and binding as a resolution duly passed at such meeting; or (ii) a written direction as notified to the Trustee by the Facility Agent

from the holders of the specified Principal Amount Outstanding of an Adjusted Class of Notes provided in accordance with the applicable Condition, in either case, with respect to the following matters:

- (A) a resolution of the holders of each Adjusted Class of Notes to appoint a replacement or substitute Master Servicer or Special Servicer where the Rating Agencies have not confirmed that the then current ratings (if any) of the Notes will not adversely be affected by such appointment;
- (B) alteration of the quorum or majority required to pass a Qualifying Extraordinary Resolution or to alter the definition of Qualifying Extraordinary Resolution; and
- (C) a resolution of the holders of each Adjusted Class of Notes to sanction an Adjusted Class Modification.

(iv) **"Qualifying Resolution"** means (i) a resolution passed at a meeting of the holders of an Adjusted Class of Notes duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 50.1 per cent. of votes cast on such poll or a resolution in writing signed by not less than 50.1 per cent. of the Principal Amount Outstanding of the holders of the relevant Adjusted Class of Notes, which resolution in writing may be contained in one or in several documents in like form each signed by or on behalf of one or more holders of that Adjusted Class of Notes as notified to the Trustee by the Facility Agent, and shall be as valid, effective and binding as a resolution duly passed at such meeting; or (ii) a written direction as notified to the Trustee by the Facility Agent from the holders of the Specified Principal Amount Outstanding of an Adjusted Class of Notes provided in accordance with the applicable Condition, in either case, with respect to the following matters:

- (A) a resolution of the holders of the Adjusted Class of Notes which is the Controlling Creditor to exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of a Whole Senior Loan or to consent to the appointment of a substitute or successor special servicer in respect of a Whole Senior Loan by Theatre (Hospitals) No. 2 (subject to the conditions of the Servicing Agreement); and
- (B) a resolution of the holders of the Adjusted Class of Notes which is the Controlling Creditor to appoint or terminate the appointment of an Operating Adviser.

12.2 The Trustee may agree, without the consent of the Noteholders or any other Issuer Secured Creditor, (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the Trust Deed or any of the other Issuer Transaction Documents (excluding any such modification which is a Basic Terms Modification (or Adjusted Class Modification) or any waiver or authorisation which relates to the subject matter of a Basic Terms Modification (or Adjusted Class Modification)), which is not, in the opinion of the Trustee, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding or (ii) to any modification of these Conditions or any of the other Issuer Transaction Documents, which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error. The Trustee may also, without the consent of the Noteholders, determine that Note Events of Default shall not, or shall not subject to specified conditions, be treated as such, provided that, in the opinion of the Trustee, it would not be

materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding to do so. 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 in accordance with Condition 15 (*Notice to Noteholders*) as soon as practicable thereafter.

- 12.3 The Trustee shall be entitled to take into account, for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Issuer Transaction Documents, any confirmation by the Rating Agencies that the then current ratings of the Notes or, as the case may be any Class or Classes of the Notes would not be adversely affected by such exercise or performance.
- 12.4 Where, in connection with the exercise or performance by the Trustee of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the other Issuer Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation or determination referred to above), the Trustee is required to have regard to the interests of the holders of the Most Senior Class of Notes then outstanding, it shall have regard to the general interests of such Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof 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 consequences of any such exercise upon individual Noteholders.

13. **INDEMNIFICATION AND EXONERATION OF THE TRUSTEE**

The Trust Deed and the Issuer Deed of Charge each contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security or taking any other action in relation to the Trust Deed or the other Issuer Transaction Documents unless secured and/or 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 Charged Property, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other persons whether or not on behalf of the Trustee.

Each of the Trust Deed and the Issuer Deed of Charge contains provisions pursuant to which the Trustee, or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Issuer Transaction Documents or whose obligations are comprised in the Issuer Charged Property 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 Issuer Transaction Documents or whose obligations are comprised in the Issuer Charged Property 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 and the Issuer Deed of Charge also relieve 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 Issuer Deed of Charge. The Trustee has no responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Issuer Security, the Issuer Charged Property or the Issuer Transaction Documents. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless secured and/or indemnified to its satisfaction or to supervise the performance by the Master Servicer, the Cash Manager or any other person of their obligations under the Issuer Transaction Documents and the Trustee shall assume, until it has notice in writing 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.

The Trust Deed and the Issuer Deed of Charge contain other provisions limiting the responsibility, duties and liability of the Trustee.

The Trust Deed and the Issuer Deed of Charge contain provisions pursuant to which (i) the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer, and will be relieved of any liability incurred by reason of such retirement and (ii) the Noteholders may by Extraordinary Resolution of the holders of each Class of Notes remove the Trustee. The retirement or removal of the Trustee will not become effective until a successor trustee is appointed. The Trustee is entitled to appoint a successor trustee in the circumstances specified in the Trust Deed and the Issuer Deed of Charge, respectively.

14. REPLACEMENT OF THE NOTES

14.1 Global Notes

If a Global Note is lost, stolen, mutilated, defaced or destroyed, it shall, upon satisfactory evidence of such loss, theft, mutilation, defacement or destruction being given to the Issuer and the Trustee, become void and a duly executed and authenticated replacement Global Note will be delivered by the Issuer to the Common Depositary only upon surrender, in the case of mutilation or defacement, of the relevant Global Note. Replacement thereof will only be made upon payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require.

15. NOTICE TO NOTEHOLDERS

15.1 Notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders provided that so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange so agrees. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the day of such delivery.

15.2 A copy of each notice given by the Issuer in accordance with this Condition 15 shall be provided to the Master Servicer, each of the Minority Senior Lenders and also to Fitch Ratings Ltd. ("Fitch") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and, together with Fitch, the "Rating Agencies", which reference in these Conditions shall include any additional or replacement rating agency appointed by the

Issuer to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to rating and ratings in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

- 15.3 The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class (including Adjusted Noteholders or to an Adjusted Class of Notes) 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 (or the Adjusted Noteholders) in such manner as the Trustee shall require.

16. SUBORDINATION BY DEFERRAL

16.1 Interest

In the event that, on any Note Payment Date, the amount available to the Issuer, subject to and in accordance with the applicable Issuer Priority of Payments to apply on such Note Payment Date, in respect of interest due (including interest on unpaid interest) on the Class B Notes, the Class C Notes and/or the Class D Notes after, in each case, meeting amounts ranking in priority thereto under the applicable Issuer Priority of Payments, (each, an "**Interest Residual Amount**"), is not sufficient to satisfy in full the aggregate amount of interest (including interest on unpaid interest) due, but for this Condition 16.1, on the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, on such Note Payment Date, there shall instead be payable on such Note Payment Date, by way of interest (including interest on unpaid interest) on each Class B Note, Class C Note or Class D Note, as the case may be, only a pro rata share of the Interest Residual Amount attributable to the relevant Class of Notes on such Note Payment Date.

In any such event, the Cash Manager acting on behalf of the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest (including interest on unpaid interest) paid on the Class B Notes or, as the case may be, the Class C Notes or the Class D Notes on the relevant Note Payment Date in accordance with this Condition 16.1 falls short of the aggregate amount of interest (including interest on unpaid interest) payable (but for the provisions of this Condition 16.1) on the Class B Notes or, as the case may be, the Class C Notes or the Class D Notes on that date pursuant to Condition 5 (*Interest and Step-up Fees*). Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Notes or, as the case may be, the Class C Notes or the Class D Notes and shall be payable together with such accrued interest on the following Note Payment Date, subject to the provisions of the preceding paragraph.

16.2 Step-up Fees

In the event that, on any Note Payment Date from and including the Step-up Date, the amount available to the Issuer, subject to and in accordance with the applicable Issuer Priority of Payments to apply on such Note Payment Date, in respect of Class A Step-up Fees, Class B Step-up Fees, Class C Step-up Fees or, as the case may be, Class D Step-up Fees (including interest on unpaid Step-up Fees) on the Class A Notes, the Class B Notes, the Class C Notes and/or the Class D Notes after, in each case, meeting amounts ranking in priority thereto under the applicable Issuer Priority of Payments, (each, a "**Step-up Fee Residual Amount**"), is not sufficient to satisfy in full the aggregate amount of Step-up Fees (including interest on unpaid Step-up Fees) due, but for this Condition 16.2, on the Class A Notes, the Class B Notes, the

Class C Notes or the Class D Notes, as the case may be, on such Note Payment Date, there shall instead be payable on such Note Payment Date, by way of Step-up Fees (including interest on unpaid Step-up Fees) on each Class A Note, Class B Note, Class C Note or Class D Note, as the case may be, only a pro rata share of the Step-up Fee Residual Amount attributable to the relevant Class of Notes on such Note Payment Date.

In any such event, the Cash Manager acting on behalf of the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of Step-up Fees (including interest on unpaid Step-up Fees) paid on the Class A Notes or, as the case may be, the Class B Notes, the Class C Notes or the Class D Notes on the relevant Note Payment Date in accordance with this Condition 16.2 falls short of the aggregate amount of Step-up Fees (including interest on unpaid Step-up Fees) payable (but for the provisions of this Condition 16.2) on the Class A Notes or, as the case may be, the Class B Notes, the Class C Notes or the Class D Notes on that date pursuant to Condition 5 (*Interest and Step-up Fees*). Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class A Notes or, as the case may be, the Class B Notes, the Class C Notes or the Class D Notes and shall be payable together with such accrued interest on the following Note Payment Date, subject to the provisions of the preceding paragraph.

16.3 **General**

Any amounts of interest in respect of the Class B Notes, the Class C Notes or the Class D Notes or any Step-up Fees otherwise payable under these Conditions which are not paid by virtue of this Condition 16, together with accrued interest thereon, shall in any event become payable on the Loan Final Maturity Date or on such earlier date as the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes as the case may be, become due and repayable in full.

16.4 **Application**

The provisions of the first paragraph of Condition 16.1 shall cease to apply:

- (i) in respect of the Class B Notes, upon the redemption in full of all Class A Notes;
- (ii) in respect of the Class C Notes, upon the redemption in full of all Class B Notes; and
- (iii) in respect of the Class D Notes, upon the redemption in full of all Class C Notes.

16.5 **Notification**

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes or, as the case may be, the Class C Notes or the Class D Notes or any Step-up Fees 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 A Noteholders or, as the case may be, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

17. **RIGHTS OF THIRD PARTIES**

This Note does not confer any rights on any person 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 any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

18. **LIMITED RECOURSE AND NON-PETITION**

- 18.1 Notwithstanding any other provision of the Issuer Transaction Documents, all obligations of the Issuer to the Noteholders, including, without limitation, its obligation under the Notes and the Issuer Transaction Documents are limited in recourse as set out below:
- 18.1.1 each Noteholder will have a claim only in respect of the Issuer Charged Property and will not have any claim, by operation of law or otherwise, against, or recourse to any of the Issuer's other assets or its contributed capital; and
- 18.1.2 sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Noteholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Issuer Charged Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Issuer in accordance with the Issuer Priority of Payments in priority to or pari passu with sums payable to such Noteholder; and
- 18.1.3 upon the Trustee giving written notice to the Noteholders that the Special Servicer has certified to the Trustee (or an agent on its behalf) that there is no reasonable likelihood of there being any further realisations in respect of the Issuer Charged Property (whether arising from an enforcement of the Issuer Security or otherwise) which would be available to pay amounts outstanding under the Issuer Transaction Documents and the Notes, the Noteholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.
- 18.2 Only the Trustee may pursue the remedies available under applicable law, under the Issuer Deed of Charge and under the Issuer Transaction Documents to enforce the rights of the Issuer Secured Creditors against the Issuer (although the Noteholders may direct the Trustee to enforce the Issuer Security pursuant to Condition 11 (*Enforcement*)) and no other Issuer Secured Creditors shall be entitled to proceed directly against the Issuer, unless the Trustee having been bound to take steps and/or proceedings, fails to do so within a reasonable time and such failure is continuing.
- 18.3 None of the Noteholders shall be entitled to petition or take any corporate action or other steps or legal proceedings for the winding-up, dissolution, court protection, examinership, reorganisation, liquidation, bankruptcy or insolvency of the Issuer or for the appointment of a receiver, administrator, in respect of the Issuer or any of its revenues or assets for so long as the Notes are outstanding or for two years and a day after all sums outstanding and owing in respect of the Notes have been paid in full, provided that the Trustee may prove or lodge a claim in liquidation of the Issuer initiated by another party and provided further that the Trustee may take proceedings to obtain a declaration or similar judgement or order as to the obligations and liabilities of the Issuer under the Issuer Deed of Charge and/or the other Issuer Transaction Documents.
- 18.4 The above shall be without prejudice to the right of a party to an Issuer Transaction Document to prove a claim in the liquidation, bankruptcy or insolvency of the Issuer.
- 18.5 None of the Noteholders shall have any recourse against any director, shareholder or officer of the Issuer in respect of any obligations, covenant or agreement entered into or made by the Issuer pursuant to the terms of the Issuer Deed of Charge or any other Issuer Transaction

Document to which it is a party or any notice or documents which it is requested to deliver hereunder or thereunder.

19. **GOVERNING LAW**

The Trust Deed and the Notes are governed by, and will be construed in accordance with, English law.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of interest and principal in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Withholding Tax on Payments of Interest on the Notes

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. On the basis of HM Revenue & Customs published interpretation of the relevant legislation, Notes which are to be listed on a stock exchange in a country which is a Member State or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Irish Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all other cases, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or other exemption which may apply.

Provision of Information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "paying agent"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "collecting agent"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law (which will include the Step-up Fees). The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

In addition, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into a reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts to the Noteholders or to otherwise compensate Noteholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the directive or any law implementing or complying with, or introduced in order to conform to, such directive (if such a state exists).

SUBSCRIPTION AND SALE

The Managers have, pursuant to a subscription agreement dated 3 May 2007 (the "**Subscription Agreement**") between, amongst others, the Lead Manager, the Co-Manager and the Issuer, jointly and severally agreed with the Issuer to subscribe, or to procure subscriptions for the Class A Notes at the issue price of 100 per cent. of their initial principal amount, the Class B Notes at the issue price of 100 per cent. of their initial principal amount, the Class C Notes at the issue price of 100 per cent. of their initial principal amount and the Class D Notes at the issue price of 100 per cent. of their initial principal amount, subject to certain conditions contained therein.

The Issuer has agreed to indemnify the Managers against certain liabilities incurred in connection with the offer and sale of the Notes.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Lead Manager in certain circumstances prior to payment for the Notes to the Issuer.

Reference should be made to the Subscription Agreement for a full description of the restrictions on offers or sales of the Notes and on the distribution of offering documents. Attention is also drawn to the information set out on the inside cover of this Prospectus.

United Kingdom

Each of the Managers has represented to and agreed with the Issuer, amongst other things, that:

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

The United States of America

Each of the Managers has represented to and agreed with the Issuer, amongst other things, that it has not offered or sold, and will not offer or sell, the Notes (i) as part of their distribution at any time and (ii) otherwise until forty (40) days after the later of the commencement of the offering of the Notes and the Closing Date, except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that:

- (a) neither it nor any of its affiliates (including any person acting on its behalf or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes; and
- (b) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Manager has also undertaken that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Notes from it during the restricted period a confirmation or notice in substantially the following form:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933 (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, (a) as part of their distribution at any time or (b) otherwise until forty (40)

days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, each Manager has represented and agreed with the Issuer that:

- (a) except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (i) it has not offered or sold, and during the restricted period that it will not offer or sell, any Notes to a person who is within the United States or its possessions or to a U.S. person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes that are sold during the restricted period;
- (b) it has, and throughout the restricted period it will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules; and
- (c) with respect to each affiliate which acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, it has either (i) repeated and confirmed the representations and agreements contained in paragraphs (a) and (b) above on its own behalf or (ii) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (a) and (b) above.

Terms used herein have the meanings given to them by the Securities Act and Regulation S under the Securities Act and by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the D Rules.

Ireland

Each Manager has represented to and agreed with the Issuer that it will not underwrite or place the Notes in or involving Ireland otherwise than in conformity with the provisions of the Investment Intermediaries Act 1995, of Ireland, as amended, including, without limitation, Section 9 and Section 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof or, in the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20 March, 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989, of Ireland, as amended.

The European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented to and agreed with the Issuer that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

Except for listing the Notes on the Official List of the Irish Stock Exchange, 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 Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Prospectus 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 Prospectus 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.

GENERAL INFORMATION

1. All authorisations, consents and approvals to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the performance by the Issuer of the obligations expressed to be undertaken by it and the distribution of this Prospectus have been obtained and are in full force and effect. The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 18 April 2007.
2. Application has been made to list the Notes on the Official List of the Irish Stock Exchange by the Issuer, through the listing agent, Arthur Cox Listing Services Limited ("ACLSL"). ACLSL is not seeking admission to listing on the Irish Stock Exchange for the purposes of the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. It is expected that the Notes which are to be admitted to the Official List of the Irish Stock Exchange will be admitted, when issued, subject only to the issue of the relevant Temporary Global Notes.
3. On 1 March 2007, the Issuer was granted a certificate under section 117(1) of the Companies Act 1985 entitling it to do business and to borrow.
4. The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear as follows:

Class of Notes	Common Code	ISIN
Class A Notes:	029091722	XS0290917227
Class B Notes:	027538975	XS0275389756
Class C Notes:	029435502	XS0294355028
Class D Notes:	029435537	XS0294355374

5. The Issuer is not involved, nor has been involved in, any legal, governmental or arbitration proceedings which may have, or have had, since the date of its incorporation, a significant effect on its financial position, nor is the Issuer aware that any such proceedings are pending or threatened.
6. Save as disclosed in this Prospectus, since 25 January 2007 (being the date of incorporation of the Issuer), there has been no material adverse change in the financial position or prospects of the Issuer.
7. Save as disclosed in this Prospectus, since 25 January 2007 (being the date of incorporation of the Issuer), the Issuer has not:
 - (a) commenced operations;
 - (b) made up annual financial accounts as at the date of this Prospectus; or
 - (c) entered into any contracts or arrangements not being in its ordinary course of business.
8. DTZ Debenham Tie Leung Limited, a firm of international property advisers and a member of the Royal Institution of Chartered Surveyors whose business address is One Curzon Street, London W1A 5PZ, has given and not withdrawn its written consent to the inclusion in this Prospectus of reference to its Property Valuation Report and references to its name in the form

and context in which it is included and has authorised the contents of those parts of this Prospectus.

9. For so long as the Notes are listed on the Official List of the Irish Stock Exchange, copies of the following documents and this Prospectus may be inspected (in either physical or electronic format) during usual business hours on any week day (excluding Saturdays, Sundays and public holidays) at the specified offices of the Irish Paying Agent and at the registered office of the Issuer from the date of this Prospectus:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the latest annual financial reports of the Issuer (which will be prepared in accordance with statutory requirements) in respect of the preceding financial year. No interim financial reports will be produced by the Issuer; and
 - (c) prior to the Closing Date, drafts (subject to modification) and, after the Closing Date, conformed copies of the following documents:
 - (i) the Notes and the Conditions appended thereto; and
 - (ii) the Trust Deed.

APPENDIX A

GENERAL HEALTHCARE GROUP LIMITED

AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2005

The directors present their annual report on the affairs of the group together with the accounts and auditors' report for the year ended 31st December 2005.

Principal activity and review of business:

The principal activity of the company is the provision of healthcare services through its subsidiary undertakings.

Both the overall level of business and the year end financial position are satisfactory. On 5th April 2005, the business of Partnerships in Care Limited and associated assets was sold and on 11th July 2005 the group disposed of its holding in BMI Health Services Limited. Following these disposals, a significant amount of group debt was repaid with the proceeds. These repayments and the consequent one-off prepayment and interest rate swap termination costs led to a substantial increase in the finance charge accounted for in the year.

During the year, the group incurred costs of £2,414,000 tendering for various public sector procurement contracts. This work is continuing.

Results and dividends:

The group profit after taxation for the year ended 31st December 2005 was £300,858,000 (year ended 31st December 2004 - loss £29,236,000 as restated). During 2005 the group adopted the accounting provisions of FRS17 in respect of defined benefit pension schemes. Accordingly the comparative statements have been changed to reflect this new policy as set out in note 9.

The directors do not recommend the payment of a dividend for the year (2004 - £nil), leaving a profit of £300,858,000 (year ended 31st December 2004 - loss £29,236,000 as restated) for the year to be transferred to reserves.

Directors and their interests:

The directors who served throughout the year, except as noted, were as follows:

- S. Palley (Chairman)
- P. Farrier (resigned 5th April 2005)
- E. Hayes (resigned 31st December 2005)
- P. Murphy
- S. Quadrio Curzio
- I. Smith
- J. Simpson-Dent (appointed 3rd January 2006)

Directors' interests in the company and group are disclosed in note 7 to the accounts.

Charitable contributions:

Charitable contributions of £20,610 (2004 - £50,000) were made during the year to a number of local charitable organisations.

Disabled employees:

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Payment of creditors:

The group settles the terms of payment with suppliers when agreeing the terms of each transaction. The group abides by such terms of payment.

The company has no trade creditors.

Financial instruments and derivatives:

The group has issued Secured Notes on the Irish Stock Exchange denominated in sterling. These notes are secured on the assets of the group and the purpose of these was to raise finance for the operations of the group. The group has entered into interest rate swaps in order to manage the interest rate risk on these notes.

Fixed assets:

An independent open market valuation of the group's interests in land and buildings was carried out in 2004. This indicated the assets had a total value of £705,000,000 in excess of the current book value and the directors are of the opinion that the situation has remained broadly unchanged.

Employee involvement:

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and team briefings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors:

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Statement of directors' responsibilities:

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing those accounts, the directors are 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD,

66 Chiltern Street
London
W1U 6GH

22nd March 2006

S. Collier
Secretary

GENERAL HEALTHCARE GROUP LIMITED

AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GENERAL HEALTHCARE GROUP LIMITED

We have audited the group and individual company accounts of General Healthcare Group Limited for the year ended 31st December 2005 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in group shareholders' funds, the statement of accounting policies and the related notes 1 to 26. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company and of the group, 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31st December 2005 and of the group's profit for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

22nd March 2006

GENERAL HEALTHCARE GROUP LIMITED
AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £000	2004 (as restated) £000
TURNOVER			
Continuing operations	1	611,997	544,850
Discontinued operations		42,094	154,336
		<u>654,091</u>	<u>699,186</u>
Cost of services provided	2	(483,487)	(506,592)
GROSS PROFIT	2	<u>170,604</u>	<u>192,594</u>
Administrative costs		(36,587)	(42,375)
Public procurement bid costs		(2,414)	-
Goodwill amortisation		(37,304)	(42,412)
Administrative expenses	2	<u>(76,305)</u>	<u>(84,787)</u>
OPERATING PROFIT (excluding associates)			
Continuing operations		91,385	94,933
Discontinued operations		2,914	12,874
	2	<u>94,299</u>	<u>107,807</u>
Share of associates' operating profit		1,532	2,224
OPERATING PROFIT		<u>95,831</u>	<u>110,031</u>
Profit on sale of discontinued operations	3, 12	346,283	-
(Loss) profit on sale of tangible fixed assets		(89)	20
Interest receivable and similar income	4	3,620	2,893
Interest payable and similar charges:			
Finance cost rolled-up on deep discount bonds		(35,270)	(52,662)
Other interest payable and similar charges	5	<u>(106,595)</u>	<u>(79,477)</u>
Total interest payable and similar charges		<u>(141,865)</u>	<u>(132,139)</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	303,780	(19,195)
Tax charge on profit (loss) on ordinary activities	8	<u>(2,835)</u>	<u>(10,041)</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		300,945	(29,236)
Minority interests	20	<u>(87)</u>	-
RETAINED PROFIT (LOSS) FOR THE YEAR		<u><u>300,858</u></u>	<u><u>(29,236)</u></u>

The accompanying notes are an integral part of this group consolidated profit and loss account.

GENERAL HEALTHCARE GROUP LIMITED
AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £000	2004 (as restated) £000
Profit (loss) for the financial year			
Group		299,786	(30,793)
Associates		1,072	1,557
		<u>300,858</u>	<u>(29,236)</u>
Actuarial loss relating to the pension scheme	24	(291)	(1,288)
Taxation			
Current tax relief on special pension contributions		525	-
Deferred tax on pension deficit for special contribution		(2,100)	-
Deferred tax for tax relief on special contribution		1,575	-
Deferred tax on actuarial loss		87	386
Total recognised gains and losses relating to the year	19	<u>300,654</u>	<u>(30,138)</u>
Prior year adjustment (as explained in note 9)		(13,947)	
Total gains and losses recognised since last annual report and accounts		<u>286,707</u>	

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS (DEFICIT):

		2005 £000	2004 £000
Opening shareholders' deficit (2004 - as previously stated)		(185,400)	(143,005)
Prior year adjustment (as explained in note 9)	9	-	(12,257)
Opening shareholders' deficit as restated		<u>(185,400)</u>	<u>(155,262)</u>
Total recognised gains and losses relating to the year (2004 - as restated)		300,654	(30,138)
Closing shareholders' funds (deficit)		<u>115,254</u>	<u>(185,400)</u>

The accompanying notes are an integral part of this group statement of total recognised gains and losses and reconciliation of movements in group shareholders' funds (deficit).

GENERAL HEALTHCARE GROUP LIMITED

AND SUBSIDIARY UNDERTAKINGS

BALANCE SHEETS - 31ST DECEMBER 2005

		Group	Group (as restated)	Company	Company
	Notes	2005 £000	2004 £000	2005 £000	2004 £000
Fixed Assets					
Intangible assets	10	525,640	664,971	-	-
Tangible assets	11	474,126	530,626	-	-
Investments	12	4,817	6,496	101	140
		<u>1,004,583</u>	<u>1,202,093</u>	<u>101</u>	<u>140</u>
Current Assets					
Stocks		19,189	16,383	-	-
Debtors	13	82,708	74,892	201	134
Cash at bank and in hand		49,864	42,302	17,335	6
		<u>151,761</u>	<u>133,577</u>	<u>17,536</u>	<u>140</u>
Creditors:					
Amounts falling due within one year	14	(91,961)	(104,240)	(17,682)	(726)
Net Current Assets (Liabilities)		<u>59,800</u>	<u>29,337</u>	<u>(146)</u>	<u>(586)</u>
TOTAL ASSETS LESS		<u>1,064,383</u>	<u>1,231,430</u>	<u>(45)</u>	<u>(446)</u>
CURRENT LIABILITIES					
Creditors: Amounts falling due after more than one year					
Deep discount bonds	15	247,684	464,133	-	-
Other creditors	15	685,508	928,131	-	-
		933,192	1,392,264	-	-
Provisions for Liabilities and Charges	17	8,765	10,619	-	-
Pension Liability	24	7,084	13,947	-	-
Capital and reserves					
Called-up equity share capital	18	990	990	990	990
Called-up non-equity share capital	18	10	10	10	10
Profit and loss account	19	114,254	(186,400)	(1,045)	(1,446)
TOTAL SHAREHOLDERS' FUNDS (DEFICIT)		<u>115,254</u>	<u>(185,400)</u>	<u>(45)</u>	<u>(446)</u>
Minority interest	20	88	-	-	-
TOTAL CAPITAL EMPLOYED		<u>1,064,383</u>	<u>1,231,430</u>	<u>(45)</u>	<u>(446)</u>

The accounts were approved by the board of directors on 22nd March 2006 and signed on its behalf by:

I. Smith - Director

J. Simpson-Dent - Director

The accompanying notes are an integral part of these balance sheets.

GENERAL HEALTHCARE GROUP LIMITED
AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £000	2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	155,349	184,993
Special pension contributions		(7,000)	-
Dividends from associates		125	-
Returns on investments and servicing of finance			
Interest received		3,558	2,893
Interest paid		(64,950)	(76,888)
Finance cost paid on the repayment of deep discount bonds	22	<u>(103,039)</u>	<u>(12,263)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(164,431)</u>	<u>(86,258)</u>
Taxation		(5,320)	(8,783)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(53,532)	(44,804)
Sale of tangible fixed assets		139	870
Net cash outflow from capital expenditure and financial investment		<u>(53,393)</u>	<u>(43,934)</u>
Acquisitions and disposals			
Net proceeds of sale of subsidiary businesses		552,339	-
Proceeds on liquidation of associated undertakings		2,355	-
Acquisition of subsidiaries		<u>(24,631)</u>	<u>-</u>
		530,063	-
CASH INFLOW BEFORE FINANCING		<u>455,393</u>	<u>46,018</u>
Financing			
Capital element of finance lease rental payments	22	(7)	(111)
Secured notes acquired		-	578,361
Secured loans acquired	22	18,500	-
Costs of acquisition of new secured notes		(60)	(2,484)
Repayment of secured notes	22	(276,110)	(596,857)
Repayment of secured loans	22	(3)	-
Repayment of loan notes	22	(4,615)	(2,535)
Repayment of deep discount bonds		(148,680)	(21,361)
Costs of repayment of secured notes		<u>(36,856)</u>	<u>-</u>
Net cash outflow from financing		<u>(447,831)</u>	<u>(44,987)</u>
INCREASE IN CASH IN THE YEAR	22	<u>7,562</u>	<u>1,031</u>

The accompanying notes are an integral part of this consolidated cash flow statement

GENERAL HEALTHCARE GROUP LIMITED

AND SUBSIDIARY UNDERTAKINGS

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies adopted is set out below. They have all been applied consistently throughout both years with the exception of the policy for pensions which is explained in note 9.

(a) **Basis of accounting**

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

(b) **Basis of consolidation**

The group accounts consolidate the accounts of the company and its subsidiary undertakings drawn up to 31 December 2005. Acquisitions are accounted for under the acquisition method and the results of subsidiaries acquired or sold are consolidated from or to the date on which control passed.

No profit and loss account is presented for General Healthcare Group Limited as provided by Section 230 (3) of the Companies Act 1985. Within the consolidated profit for the year is a profit of £401,000 (2004 - £10,000) attributable to the shareholders of General Healthcare Group Limited which has been dealt with in the accounts of the company.

(c) **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life of 20 years. Provision is made for any impairment.

(d) **Investments**

Fixed asset investments are stated at cost less provision for impairment. Dividends are recognised in the period in which they are declared.

(e) **Associates**

In the group accounts, investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' profits less losses, while the group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above.

(f) **Tangible fixed assets**

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings and fixed plant	- up to 50 years
Leasehold premises	- the shorter of 50 years or the length of the lease
Plant and machinery	- 3 to 10 years

No depreciation is provided on freehold land or construction in progress.

Costs incurred in the construction of tangible fixed assets are capitalised and written off over the life of the asset.

(g) **Stocks**

Stocks, which comprise goods to be supplied to patients and other customers, and consumables to be used in the provision of services to patients, are stated at the lower of cost and net realisable value. There is no material difference between balance sheet and replacement cost values. Provision is made for obsolete, slow-moving or defective items where appropriate.

(h) **Turnover**

Group turnover comprises amounts receivable for goods and services supplied to third parties in the normal course of business net of all refunds, allowances and value added tax.

(i) **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(j) **Pension costs**

During 2005 the group adopted the accounting provisions of FRS 17 in respect to defined benefit pension schemes. Accordingly the comparative statements have been changed to reflect this new policy as follows:

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments which are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount in other interest payable and similar charges. Actuarial gains and losses are recognised immediately in the statements of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

(k) **Leases**

Assets held under finance leases are initially recorded at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term.

(l) **Finance costs**

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

(m) **Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

(n) **Derivative financial instruments**

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

The group uses hedge accounting (based on the accruals approach) to account for these interest rate swaps. Under hedge accounting any interest differentials payable or receivable under the swaps are recognised by adjusting net interest payable over the period of the contracts. Were the contracts not to relate to a specific liability to pay interest then they would be marked to market and the whole of any resulting profit or loss would be recognised in the profit and loss account at that time.

GENERAL HEALTHCARE GROUP LIMITED

AND SUBSIDIARY UNDERTAKINGS

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2005

1. SEGMENT INFORMATION:

The directors are of the opinion that the businesses of the group are substantially similar in that they all relate to the provision of health care services. Turnover and profit/(loss) before tax on ordinary activities arise from operations entirely in the UK.

2. OPERATING EXPENSES

	2005			2004 (as restated)		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Cost of services	447,906	35,581	483,487	379,053	127,539	506,592
GROSS PROFIT	164,091	6,513	170,604	165,797	26,797	192,594
Administrative expenses	34,888	1,699	36,587	35,752	6,623	42,375
Public bid costs	2,414	-	2,414	-	-	-
Goodwill amortisation	35,404	1,900	37,304	35,112	7,300	42,412
OPERATING PROFIT	91,385	2,914	94,299	94,933	12,874	107,807

The group disposed of its interest in the ordinary share capital of Partnerships in Care Limited and associated assets on 5th April 2005 and BMI Health Services Limited on 11th July 2005. The results for these two businesses up to the date of disposal and the comparatives for 2004 are shown under discontinued operations.

3. PROFIT ON SALE OF DISCONTINUED OPERATIONS

The profit on sale of discontinued operations relates to the disposal of the group's interest in the ordinary share capital of Partnerships in Care Limited and associated assets and BMI Health Services Limited (see note 12). The taxation charge to the profit and loss account was increased by £2,779,000 as a result of these disposals.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £000	2004 £000
Bank interest income	3,393	2,698
Other investment income	227	195
	<u>3,620</u>	<u>2,893</u>

5. **OTHER INTEREST PAYABLE AND SIMILAR CHARGES**

	2005	2004 (as restated)
	£000	£000
Interest on bank loans and Secured Notes	56,876	74,518
Interest on loan notes	174	245
Amortisation of debt arrangement fees	5,027	1,225
Write off of new debt arrangement fees	-	2,484
Interest rate swap costs on repayment of debt	40,741	-
Penalty charges on repayment of debt	2,850	-
Finance leases and hire purchase contracts	346	344
Pension finance costs (see also note 24)	30	201
Other interest	551	460
	<u>106,595</u>	<u>79,477</u>

6. **PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2005	2004 (as restated)
	£000	£000
Profit (loss) on ordinary activities before taxation is stated after charging:		
Amortisation of goodwill	37,304	42,412
Depreciation and amounts written off tangible fixed assets:		
- Owned	30,765	33,659
- Held under finance leases	100	213
Operating lease rentals		
- Plant and machinery	4,477	4,108
- Other	7,255	7,919
Auditors' remuneration		
- Audit fees	315	290
- Non-audit fees	788	582
Staff costs (see note 7)	237,005	279,143
	<u>237,005</u>	<u>279,143</u>

7. **STAFF COSTS**

Particulars of employees (including executive directors) are as shown below:

	2005	2004 (as restated)
	£000	£000
Employee costs during the year amount to:		
Wages and salaries	212,516	251,045
Social security costs	17,319	20,636
Other pension costs (see also note 24)	7,170	7,462
	<u>237,005</u>	<u>279,143</u>

The group employs a significant number of part-time staff. The average monthly number of full-time equivalent employees in the group during the year was as follows:-

	2005	2004 (as restated)
	£000	£000
Medical and ancillary	8,097	9,755
Administration	855	908
	<u>8,952</u>	<u>10,663</u>
Directors' remuneration:		
Directors' remuneration paid in respect of directors of the company during the year was as follows:-	2005	2004
	£000	£000
Emoluments	1,369	1,869
Compensation for loss of office	163	582
Contribution paid to pension scheme on retirement of director	670	-
	<u>2,202</u>	<u>2,451</u>

The number of directors who were members of pension schemes was as follows:-

	Number	Number
Money purchase schemes	1	1
Defined benefit schemes	3	3
	<u>4</u>	<u>4</u>

During the year no retirement benefits were paid to directors or past directors in excess of their entitlement at the date of retirement.

The above amounts for remuneration include £758,000 (2004 - £1,216,000) in respect of emoluments paid to the highest paid director during the year. The accrued pension entitlement of the highest paid director is £1,000 (2004 - £111,000) and the accrued lump sum entitlement is £nil (2004 - £nil).

Directors' interests:

The directors who held office at 31st December 2005 had the following notified interests in shares and debentures in the company:

	£1 A Ordinary	Shares 10 pence R Ordinary	90 pence T Ordinary	Debentures "B" Deep Discount Bonds £
At 31 st December 2004	Number	Number	Number	
P. Murphy	-	10,000	10,000	222,456
E. Hayes	-	8,000	8,000	177,965
At 31 st December 2005				
P. Murphy	-	10,000	10,000	105,915
I. Smith (appointed 29 th September 2004)	-	8,500	8,500	-

8. **TAX ON (PROFIT) LOSS ON ORDINARY ACTIVITIES:**

The tax charge (credit) is based on the profit (loss) for the year and comprises:

	2005	2004 (as restated)
	£000	£000
Corporation tax at 30% (2004 - 30%)	2,452	11,249
(Over) under provision in prior years	(1,150)	138
Deferred tax - current year	1,949	(356)
prior year	(1,805)	(1,319)
Deferred tax on pension liability - current year	929	(338)
Tax attributable to income from associated undertakings	460	667
	<u>2,835</u>	<u>10,041</u>
	2005	2004 (as restated)
	£000	£000
(Profit) Loss on ordinary activities before tax	<u>(303,780)</u>	<u>19,195</u>
Tax charge (credit) on (profit) loss on ordinary activities at standard UK Corporation tax rate of 30%	91,134	(5,759)
Effects of:		
Expenses not deductible for tax purposes	3,989	4,301
Amortisation of goodwill	11,174	12,724
Defined benefit pension contribution timing differences	(929)	338
Non-chargeable gains on disposal of fixed assets	(100,345)	(6)
Capital allowances in excess of depreciation	(1,357)	1,173
Short-term timing differences	(588)	(855)
Losses brought forward utilised	(514)	-
Loss carried forward	209	-
Losses carried forward in company leaving group	139	-
Share of associates tax	(460)	(667)
	<u>2,452</u>	<u>11,249</u>

The tax charge in future periods may be affected by deferred tax assets amounting to £361,000 (2004 - £4,173,000) for capital losses and £209,000 (2004 - £514,000) for other losses which have not been recognised because the directors are of the opinion that they cannot be certain there will be suitable taxable gains available to offset these in the foreseeable future.

The amount of deferred tax that has not been provided on fixed assets subject to rollover relief is £11,810,000 (2004 - £450,000). At present, it is not envisaged that any of this tax will become payable in the foreseeable future.

9. **PRIOR YEAR ADJUSTMENT**

During 2005 the group adopted the accounting provisions of FRS 17 in respect to defined benefit pension schemes. Accordingly the comparative statements have been changed to reflect this new policy as follows:

	2004 (as restated) £000
Adjustments to Profit and loss account	
Decrease in profit and loss account as at 1 st January 2004	12,257
Cost of services provided	925
Other interest payable and similar charges	201
Tax on loss on ordinary activities	<u>(338)</u>
Decrease in profit for the year	788
Actuarial loss relating to the pension scheme including related tax, shown in the consolidated statement of total recognised gains and losses	<u>902</u>
Total decrease in recognised gains and losses relating to the year	<u>1,690</u>
Decrease in profit and loss account as at 31 st December 2004	<u>13,947</u>
Balance sheet	
Pension liabilities	<u>13,947</u>
Increase in liabilities as at 31 st December 2004	<u>13,947</u>
10. INTANGIBLE FIXED ASSETS:	
Goodwill	Group £000
Cost:	
Beginning of the year	848,241
Additions (see also note 12)	10,440
Disposals (see also note 12)	<u>(146,000)</u>
End of the year	<u>712,681</u>
Amortisation:	
Beginning of the year	183,270
Charge for the year	37,304
Disposals (see also note 12)	<u>(33,533)</u>
End of the year	<u>187,041</u>
Net book value:	
End of the year	<u>525,640</u>
Beginning of the year	<u>664,971</u>

11. **TANGIBLE FIXED ASSETS:**

Group

	Land and Buildings			Total £000
	Freehold £000	Long		
		Leasehold £000	Plant and machinery £000	
Cost:				
Beginning of the year	410,130	91,459	123,198	624,787
Additions	9,964	12,768	30,183	52,915
Acquisition of subsidiaries	13,386	907	1,287	15,580
Disposal of subsidiaries	(103,659)	(1,507)	(20,152)	(125,318)
Disposals	(20)	(264)	(5,916)	(6,200)
Reclassifications	(6,521)	6,220	(66)	(367)
End of the year	<u>323,280</u>	<u>109,583</u>	<u>128,534</u>	<u>561,397</u>
Depreciation:				
Beginning of the year	34,911	9,284	49,966	94,161
Charge for the year	8,665	2,096	20,104	30,865
Disposal of subsidiaries	(15,575)	(679)	(15,162)	(31,416)
Disposals	(12)	(228)	(5,732)	(5,972)
Reclassifications	604	2	(973)	(367)
End of the year	<u>28,593</u>	<u>10,475</u>	<u>48,203</u>	<u>87,271</u>
Net Book Value:				
End of the year	<u>294,687</u>	<u>99,108</u>	<u>80,331</u>	<u>474,126</u>
Beginning of the year	<u>375,219</u>	<u>82,175</u>	<u>73,232</u>	<u>530,626</u>

Freehold land amounting to £67,278,000 (2004 - £78,879,000) has not been depreciated. Included in the net book value of leasehold buildings is a finance lease of £4,600,000 (2004 - £4,700,000) and included in the net book value of equipment are finance leases of £nil (2004 - £44,000).

The company owns no tangible fixed assets.

12. **FIXED ASSET INVESTMENTS:**

The following are included in the net book value of fixed asset investments:

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Subsidiary undertakings	-	-	56	56
Associated undertakings	4,817	6,496	-	-
Other investments	-	-	45	84
	<u>4,817</u>	<u>6,496</u>	<u>101</u>	<u>140</u>

Principal group investments

The group has interests in the following companies which principally affected the profits/losses and net assets/liabilities of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted

	Proportion of ordinary shares held by the group
Subsidiary undertakings:	
General Healthcare Holdings (2) Limited*	100%
General Healthcare Holdings (3) Limited	100%
General Healthcare Holdings (4) Limited	100%
GHG Intermediate Holdings Limited	100%
GHG Finance Limited	100%
BMI Healthcare Limited	100%
GHG Leasing Limited	100%
Bishopswood SPV Limited	100%
South Cheshire SPV Limited	100%
Runnymede SPV Limited	100%
Albyn Hospital Limited	100%
Fembrae Hospital Limited	100%
BMI Mount Alvernia Hospital Limited	100%
CARE Fertility Group Limited	50%
Associated undertakings:	
South Manchester Imaging Limited	49%
Priory MRI Plc (in liquidation)	25%
Three Shires Hospital Limited	50%

*shares held directly by the company

GHG Finance Limited is incorporated in the Cayman Islands and was set up in 2001 to provide finance for the group. GHG Leasing Limited, Amicus Healthcare Leasing Limited, Runnymede SPV Limited, Bishopswood SPV Limited and South Cheshire SPV Limited own and lease certain hospitals and equipment. The principal activity of all other subsidiary and associated undertakings is the provision of private health care services and supplies. All these companies are incorporated and operate in Great Britain.

(a) **Subsidiary undertakings:**

	Company £000
Cost and book value	
Beginning and end of year	<u>56</u>

(b) **Associated undertakings:**

	Group £000
Share of net assets	
Beginning of year	6,496
Share of retained profit for the year	1,072
Repayments	(125)
Disposals	(2,626)
End of year	<u>4,817</u>

Included in disposals is an amount of £1,343,000 representing the value of the investment in Centres for Assisted Reproduction Limited restructured on 7th October 2005 as detailed below.

(c) **Other investments:**

	Company £000
Cost and net book value	
Beginning of year	84
Additions	6
Disposals	(45)
End of year	<u>45</u>

Acquisition of Subsidiary undertakings

On 29th April 2005 the group acquired the entire share capital of BMI Mount Alvernia Hospital Limited as a vehicle to purchase the assets and trade of the Mount Alvernia Hospital on 23rd May 2005 for cash consideration.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £000	Revaluation £000	Fair value to the group £000
Fixed assets	16,212	(2,189)	14,023
Current assets	2,175	-	2,175
Creditors	(1,718)	-	(1,718)
Net assets acquired	<u>16,669</u>	<u>(2,189)</u>	<u>14,480</u>

Goodwill on acquisition	8,150
Consideration	<u>22,630</u>
Satisfied by:	
Cash consideration	22,500
Costs of acquisition	130
	<u>22,630</u>

The fair value adjustment represents the valuation of land and buildings at lower of market value and depreciated replacement cost.

On 7th October 2005 the group acquired 50% of a new entity, CARE Fertility Group Limited, which then acquired the entire issued capital of Centres for Assisted Reproduction Limited ("CARE"), previously an associate undertaking. This transaction resulted a net cash outflow of £2m, paid to the other shareholders in CARE. As a result, whilst the group has ultimately retained a 50% holding in CARE through its new parent company, CARE Fertility Group Limited, the undertaking has become a subsidiary undertaking under FRS2 "Accounting for Subsidiary Undertakings".

The following table sets out the book values of the identifiable assets and liabilities of CARE Fertility Group Limited consolidated from 7th October 2005, together with their fair value to the group:

	Book value	Revaluation	Fair value to the group
	£000	£000	£000
Fixed assets	2,395	(838)	1,557
Current assets	2,565	-	2,565
Creditors	(1,387)	-	(1,387)
Secured loans	(156)	-	(156)
Provisions for liabilities and charges	(25)	-	(25)
Preference shares payable to minority	(1,500)	-	(1,500)
	<u>1,892</u>	<u>(838)</u>	<u>1,054</u>
Investment in associate previously recognised	(1,343)	-	(1,343)
Net additional assets (liabilities) acquired	549	(838)	(289)
Goodwill on acquisition			<u>2,290</u>
Consideration			<u>2,001</u>
Satisfied by:			
Cash consideration			2,001
			<u>2,001</u>

The fair value adjustment represents the write down of investments to net realisable value.

Sale of Subsidiary Undertakings

On 5th April 2005 the group sold its 100% interest in the ordinary share capital of Partnerships in Care Limited together with associated assets. The profit after tax of the Partnerships in Care business up to the date of disposal was £3,446,000, and for 2004 £31,237,000 excluding group goodwill amortisation.

On 11th July 2005 the group sold its 100% interest in the ordinary share capital of BMI Health Services Limited. The loss after tax of BMI Health Services Limited up to the date of disposal was £767,000, and for 2004 £606,000 excluding group goodwill amortisation.

	Partnerships in Care	BMI Health Services Ltd
	£000	£000
Net assets disposed of and the related sale proceeds were as follows:		
Fixed assets	91,837	2,065
Cash	6,338	(140)
Current assets	8,973	3,565
Creditors	(7,838)	(1,321)
Pension liability	(3,503)	(533)
Provisions for liabilities and charges	192	152
Net assets	95,999	3,788
Related goodwill	107,917	4,550
Costs of sale	7,832	619
Profit on sale	345,852	431
Sale proceeds, satisfied by cash	557,600	9,388
Net cash inflows in respect of the sale comprised:		
Cash consideration	557,600	9,388
Cash at bank and in hand sold	(6,338)	-
Bank overdrafts sold	-	140
Costs of sale	(7,832)	(619)
	543,430	8,909

13. DEBTORS:

	Group 2005	Group 2004	Company 2005	Company 2004
	£000	£000	£000	£000
The following are included in debtors falling due within one year:				
Trade debtors	66,587	58,431	-	-
Amounts owed by associated undertakings	304	1,009	-	-
Other debtors	4,655	4,778	201	134
Prepayments and accrued income	11,162	10,674	-	-
	82,708	74,892	201	134

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

	Group 2005	Group 2004	Company 2005	Company 2004
	£000	£000	£000	£000
The following are included in creditors falling due within one year:				
Obligations under finance leases	-	7	-	-
Secured Notes	12,596	18,596	-	-
Loan notes	-	4,615	-	-
Secured Loans	1,541	-	-	-
Trade creditors	23,258	17,638	-	-
UK corporation tax	1,811	7,593	-	-

Amounts due to subsidiary undertakings	-	-	17,682	726
Accruals and deferred income	52,755	55,791	-	-
	<u>91,961</u>	<u>104,240</u>	<u>17,682</u>	<u>726</u>

15. **CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

The following are included in creditors falling due after more than one year:

	Group 2005 £000	Group 2004 £000
Obligations under finance leases	4,999	4,999
Secured Notes	629,857	895,000
Secured loans	17,112	-
Preference shares	1,500	-
Deferred income	32,040	28,132
	<u>685,508</u>	<u>928,131</u>
Deep discount bonds	247,684	464,133
	<u>933,192</u>	<u>1,392,264</u>

The company has no creditors falling due after more than one year.

Preference shares

The preference shares accrue a fixed cumulative preferential cash dividend at an annual rate of 4 per cent per annum. The preference shares are redeemable on or immediately prior to an exit, or on such dates and in such amounts as the Board of CARE Fertility Group Limited may from time to time resolve.

Finance Leases

	Group 2005 £000	Group 2004 £000
Repayments of the principal falls due as follows:		
Between two and five years	1	1
After five years	4,998	4,998
	<u>4,999</u>	<u>4,999</u>

Secured Notes

	Group 2005 £000	Group 2004 £000
Principal	638,799	908,573
Issue costs	(8,942)	(13,573)
	<u>629,857</u>	<u>895,000</u>

The Secured Notes, including amounts falling due within one year, are split into the following classes falling due as indicated:

	Total	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
	£000	£000	£000	£000	£000
Class A2	150,000	-	-	-	150,000
Class A3	179,997	13,451	14,401	49,595	102,550
Class B2	94,780	-	-	-	94,780
Class C2	150,000	-	-	-	150,000
Class C3	77,473	-	-	-	77,473
	<u>652,250</u>	<u>13,451</u>	<u>14,401</u>	<u>49,595</u>	<u>574,803</u>
Issue costs	(9,797)	(855)	(826)	(2,318)	(5,798)
	<u>642,453</u>	<u>12,596</u>	<u>13,575</u>	<u>47,277</u>	<u>569,005</u>

On 15th April 2005, £276,110,000 of the class A3, B2 and C3 notes were repaid. The notes are secured by a first ranking security charge over certain assets of the group and a first floating charge over the remaining assets. Further details of the interest rate profiles are indicated in note 16.

Secured Loans	Total	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
	£000	£000	£000	£000	£000
Bank loan	18,500	1,525	1,825	4,850	10,300
Other loan	153	16	16	55	66
	<u>18,653</u>	<u>1,541</u>	<u>1,841</u>	<u>4,905</u>	<u>10,366</u>

Loans are secured on the relevant individual company's assets. The bank loan bears interest at LIBOR + 0.9125% and the other loan bears interest at base rate + 1.5%.

Deep Discount Bonds:	Group 2005 £000	Group 2004 £000

The following amounts are included in deep discount bonds:

Principal	135,123	283,803
Rolled-up finance costs	112,561	180,666
Issue costs	-	(336)
	<u>247,684</u>	<u>464,133</u>

The deep discount bonds are unsecured and subordinated to the Secured Notes. On 21st April 2005 52.39% by value of the B Series bonds were redeemed. The remainder of the B Series bonds are due for redemption on 1st March 2012 at an amount of £497,525,000. The finance cost, representing the difference between the subscription amount and the final redemption

amount is being recognised over the full term of the deep discount bond at a constant annual rate of 12% on the outstanding amount.

16. **DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS:**

The role that financial instruments have had during the period in creating or changing the risks the group faces in its activities is summarised in the directors' report.

The group has Secured Notes issued on the Irish Stock Exchange and the numerical disclosures in this note deal with financial assets and financial liabilities as defined in FRS 13. Non-equity shares issued by the company are dealt with in the disclosures in the same way as the group's financial liabilities but separately disclosed. Short-term debtors and creditors have been excluded from the disclosures as have certain financial assets such as investments in associated companies.

Interest rate profile

The group has no financial assets other than sterling cash deposits of £37,842,000 (2004 - £51,507,000) which are part of the financing arrangements of the group. The sterling cash deposits comprise deposits placed on money market at call, monthly and three monthly rates.

After taking into account interest rate swaps entered into by the group, the interest rate profile of the group's financial liabilities at 31st December 2005 was as follows:

Sterling:	Floating rate £000	Fixed rate £000	Interest free £000	Total £000
2005				
Borrowings	-	915,289	-	915,289
Non-equity shares	-	-	10	10
	<u>-</u>	<u>915,289</u>	<u>10</u>	<u>915,299</u>
2004				
Borrowings	4,615	1,382,735	-	1,387,350
Non-equity shares	-	-	10	10
	<u>4,615</u>	<u>1,382,735</u>	<u>10</u>	<u>1,387,360</u>

	Weighted Avge interest Rate %	Fixed rate Weighted Avge period for which Rate is fixed Years
Borrowings		
2005	9.02%	12
2004	9.21%	12

The interest free non-equity shares have no maturity date.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 31st December was as follows:

	Non-equity Shares £000	Borrowings (note 15) £000	Total £000
2005			
in less than one year	-	14,137	14,137
Between one and two years	-	15,416	15,416
Between two and five years	-	52,182	52,182
After five years	10	833,554	833,554
	<u>10</u>	<u>915,289</u>	<u>915,299</u>
2004			
in less than one year	-	23,218	23,218
Between one and two years	-	20,036	20,036
Between two and five years	-	69,732	69,732
After five years	10	1,274,364	1,274,374
	<u>10</u>	<u>1,387,350</u>	<u>1,387,360</u>

Borrowing Facilities

The group has an undrawn committed working capital facility of £25,000,000 available for an initial five years from 31st July 2001, and an undrawn committed liquidity facility of £112,348,000 which is reducing in proportion to the aggregate of the principal outstanding on all the Secured Notes.

Fair Values

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities:

	Book Value 2005 £000	Fair Value 2005 £000	Book Value 2004 £000	Fair Value 2004 £000
Primary financial instruments held or issued to finance group operations:				
Financial assets	37,842	37,842	51,507	51,507
Short-term borrowings	(14,137)	(14,137)	(23,218)	(23,218)
Long-term borrowings	(901,152)	(864,731)	(1,364,132)	(1,277,754)
Derivative financial instruments held to manage the interest rate				
Interest rate swaps	(34,671)	(95,141)	(31,052)	(122,419)

The fair values of the Secured Notes and interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded and are stated at gross values. For the deep discount bonds there is no market value and so an estimate has been made of the fair value based on discount rates the directors believe investors may expect if similar instruments were to be issued at the balance sheet date. All other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

During 2001, a partial loss relating to the interest rate swaps was crystallised as a result of the refinancing activities. The resulting creditor, which is included in the book value above, is being amortised to the profit and loss account over the remaining life of the interest rate swaps.

In 2005, in accordance with the repayment of the Secured Notes detailed in note 15, the interest rate swap was restructured resulting in an additional write back of £12,735,000 in the year and a further deferral of £19,470,000.

Gains and losses on hedges

The group uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of the unrecognised gains and losses is as follows:

	2005 £000	2004 £000
Unrecognised losses on hedges at beginning of year	91,367	86,215
Losses arising in previous years that were recognised in the year	<u>(50,578)</u>	<u>(13,944)</u>
Losses arising before beginning of the year that were not recognised in the year	40,789	72,271
Losses arising in year that were not recognised in the year	<u>19,681</u>	<u>19,096</u>
Unrecognised losses on hedges at the end of the year	60,470	91,367
Losses expected to be recognised in the next financial year	<u>(9,255)</u>	<u>(11,300)</u>
Losses expected to be recognised after the next financial year	<u>51,215</u>	<u>80,067</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES:

Provisions for liabilities and charges for the group comprise:

	Beginning of the year £000	Acquisitions/ Disposals £000	Debit (Credit) to Profit & Loss £000	Debit (Credit) to STRGL £000	Utilisation In the year £000	End of the year £000
Deferred taxation	8,363	369	144	(1,575)	-	7,301
Provision for employee benefits	186	-	68	-	(50)	204
Provision for legal claims	1,402	-	(806)	-	104	700
Provision for property leases	668	-	-	-	(108)	560
Total	<u>10,619</u>	<u>369</u>	<u>(594)</u>	<u>(1,575)</u>	<u>(54)</u>	<u>8,765</u>

The employee benefit provisions relate to commitments to certain employees for healthcare, pension and other benefits. The provisions are expected to be utilised during the next five years through payments to external providers.

The group is subject to a number of legal claims and provision has been made for estimated costs of settlement. This provision is expected to be utilised within five years.

Provision has been made for the estimated costs of leases on underutilised properties. This provision will be utilised within the next ten years.

Deferred taxation is fully provided and comprises the following:

	Group 2005 £000	Group 2004 £000
Accelerated capital allowances	12,145	11,907
Other timing differences	(4,844)	(3,544)
	<u>7,301</u>	<u>8,363</u>

18. CALLED-UP SHARE CAPITAL:

	Group and Company		Group and Company	
	2005	2005	2004	2004
Authorised, allotted, issued and fully paid	Number	£	Number	£
Equity				
A ordinary shares of £1 each	900,000	900,000	900,000	900,000
T ordinary shares of 90p each	100,000	90,000	100,000	90,000
		<u>990,000</u>		<u>990,000</u>
Non-equity				
R ordinary shares of 10p each	100,000	10,000	100,000	10,000
		<u>10,000</u>		<u>10,000</u>
		<u>1,000,000</u>		<u>1,000,000</u>

Rights to dividends

No dividend can be declared or paid on any class of share unless cumulative dividends from previous periods have been paid in full.

The R ordinary shares carry no rights to any dividend or other distribution. The T ordinary and A ordinary shares rank pari passu as regards dividends or other distributions.

Priority and amounts receivable in the event of winding-up

In the event of winding up, the assets of the company available for distribution, after the settlement of all other liabilities and the cost of winding up, shall be distributed as follows:

- (i) A ordinary shares
- (ii) T ordinary shares
- (iii) R ordinary shares

For A ordinary shares priority will be given to the aggregate of the amounts below:

- (i) The subscription price

- (ii) Any unpaid dividends
- (iii) Any interest on unpaid dividends

Voting rights

All shares are entitled to one vote except R ordinary shares. Holders of R ordinary shares will not be entitled to receive notice of or attend any general meeting.

19. **RESERVES:**

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
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Profit and loss account

Beginning of the year (2004 - as previously stated)	(186,400)	(144,005)	(1,446)	(1,456)
Prior year adjustment (as explained in note 9)	-	(12,257)	-	-
Beginning of the year as restated	(186,400)	(156,262)	(1,446)	(1,456)
Total recognised gains and losses for the year (2004 - as restated)	300,654	(30,138)	401	10
Total profit and loss account (2004 - as restated)	114,254	(186,400)	(1,045)	(1,446)

	Group 2005 £000	Group 2004 (as restated) £000
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Pension reserve

Profit and loss account excluding pension liability	121,338	(172,453)
Amount relating to the defined benefit pension scheme, net of related deferred tax	(7,084)	(13,947)
Profit and loss reserve	114,254	(186,400)

Shareholders' funds (deficit) may be analysed as follows:

	Group 2005 £000	Group 2004 (as restated) £000	Company 2005 £000	Company 2004 £000
Equity interests	115,244	(185,410)	(55)	(456)
Non-equity interests	10	10	10	10
	115,254	(185,400)	(45)	(446)

20. **MINORITY INTERESTS:**

	Equity £000
At 1 st January 2005	-

Acquisition of subsidiary undertaking	1
Profit on ordinary activities after taxation	87
At 31 st December 2005	<u>88</u>

21. **RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS:**

	2005	2004 (as restated)
	£000	£000
Operating profit	94,299	107,807-
Depreciation and amounts written off tangible fixed assets	30,865	33,872
Goodwill amortisation	37,304	42,412
	<u>162,468</u>	<u>184,091</u>
Increase in stocks	(2,670)	(2,168)
Decrease (increase) in debtors	(16,760)	3,651
Increase in creditors	12,193	1,237
Decrease in provisions and deferred income	(792)	(2,743)
Adjustment for pension funding	910	925
Net cash inflow from operating activities	<u>155,349</u>	<u>184,993</u>

22. **ANALYSIS AND RECONCILIATION OF NET DEBT:**

	Beginning of year £000	Cash flow £000	Non-cash flow £000	End of Year £000
Cash	42,302	7,562	-	49,864
Debt due within 1 year				
Finance leases	(7)	7	-	-
Secured Notes	(18,596)	-	6,336	(12,260)
Loan notes	(4,615)	4,615	-	-
Secured loans	-	3	(1,544)	(1,541)
Debt due after 1 year				
Finance leases	(4,999)	-	-	(4,999)
Secured Notes	(895,000)	276,110	(10,967)	(629,857)
Secured loans	-	(18,500)	1,388	(17,112)
Preference shares	-	-	(1,500)	(1,500)
Deferred income	(28,132)	-	(3,908)	(32,040)
Deep discount bonds	(464,133)	251,719	(35,270)	(247,684)
Net Debt	<u>(1,373,180)</u>	<u>521,516</u>	<u>(45,465)</u>	<u>(897,129)</u>

Non cash movements represent deep discount bond finance cost rolled up, finance costs written off, acquisition of subsidiaries and the amortisation of the creditor resulting from the recognition of an interest rate swap in 2001. Cash movements on deep discount bonds include the repayment of rolled-up finance cost of £103,039,000.

23. **FINANCIAL COMMITMENTS:**

(a) Capital commitments:

At the end of the year, group capital commitments contracted but not provided were £16,691,000. (2004 - £32,090,000).

(b) Minimum annual commitments under non-cancellable operating leases are as follows:

2005	Group	
	Property £000	Plant and Machinery £000
Operating leases which expire:		
- within one year	240	222
- between one and five years	874	77
- after five years	3,213	101
	<u>4,327</u>	<u>400</u>

2004	Group	
	Property £000	Plant and Machinery £000
Operating leases which expire:		
- within one year	261	65
- between one and five years	889	116
- after five years	3,993	-
	<u>5,143</u>	<u>181</u>

24. PENSION ARRANGEMENTS:

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 1st January 2005 and updated to 31st December 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	2005 %	2004 %	2003 %
Inflation assumption	2.8	2.9	2.8
Discount rate	4.8	5.3	5.5
Rate of increase in salaries	4.3	4.4	4.3
Rate of increase in pensions in deferment	2.8	2.9	3
Rate of increase in pensions in payment	2.7	2.7	2.8

The fair value of the assets in the schemes, the present value of the liabilities and the expected rate of return at the balance sheet date were:

	2005 %	2004 %	2003 %
Expected Rate of Return:			
Equities	7.4%	7.4%	8.0%
Bonds	4.5%	4.6%	4.9%
Other	4.0%	4.0%	4.0%
Value	£000	£000	£000
Equities	49,411	38,693	32,359
Bonds	1,036	3,677	3,915

Other	4,062	4,197	2,333
Total value of assets	54,509	46,567	38,607
Present value of scheme liabilities	(64,629)	(66,492)	(56,117)
Deficit in the scheme	(10,120)	(19,925)	(17,510)
Related deferred tax asset	3,036	5,978	5,253
Net pension deficit	(7,084)	(13,947)	(12,257)

The contribution rate for the main scheme in 2005 was 21.1% (2004 - 19.6%) of pensionable earnings for all members apart from former members of the General Healthcare Group Public Sector Benefits plan for whom the contribution rate is 35.1% (2004 - 35.1%).

Analysis of the amount charged to profit and loss account

	2005	2004
	£000	£000
Current service cost	3,702	4,557
Past service cost - Augmented benefits for E. Hayes	670	26
- Discretionary pension increases	35	-
Total operating charge	4,407	4,583
Gain on settlements	(3,503)	-
Gain on curtailments	(533)	-
Total charge before taxation	371	4,583

Analysis of the amount (debited) credited to net finance charges

	2005	2004
	£000	£000
Expected return on pension scheme assets	3,153	3,015
Interest on pension scheme liabilities	(3,183)	(3,216)
Net financial expense	(30)	(201)

Analysis of the amount recognised in the statement of total recognised gains and losses

	2005	2004
	£000	£000
Actual return less expected return on pension scheme assets	6,177	1,152
Experience gains arising on the scheme liabilities	264	741
Changes in assumptions underlying the present value of the scheme liabilities	(6,732)	(3,181)
Actuarial loss	(291)	(1,288)

Movement in scheme deficit during the year

	2005	2004
	£000	£000
Beginning of year	(19,925)	(17,511)

Current service cost	(3,702)	(4,557)
Contributions	10,497	3,658
Past service costs	(705)	(26)
Settlement gains	3,503	-
Curtailement gains	533	-
Other finance expense	(30)	(201)
Actuarial loss	(291)	(1,288)
End of year	<u>(10,120)</u>	<u>(19,925)</u>

History of experience gains and losses	2005	2004	2003	2002
Difference between expected and actual return on scheme assets:				
Amount £000	6,177	1,152	3,992	(8,016)
Percentage of scheme assets	11%	2%	10%	-29%
Experience gains and losses on scheme liabilities				
Amount £000	264	741	2,103	(2,143)
Percentage of present value of scheme liabilities	0%	1%	4%	-5%
Total actuarial loss in the statement of total recognised gains and losses				
Amount £000	(291)	(1,288)	(1,542)	(10,742)
Percentage of present value of scheme liabilities	0%	2%	-3%	-25%

Defined Contribution Schemes

The group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £2,763,000 (2004 - £2,879,000).

25. RELATED PARTY TRANSACTIONS

Details of directors' interests are disclosed in note 7.

The group is taking advantage of the exemption granted by paragraph 3 (c) of Financial Reporting Standard no 8 "Related Party Transactions" not to disclose transactions with group companies which are related parties.

26. CONTROLLING PARTY

The company is controlled by various funds advised by BC Partners Limited.

INDEX OF DEFINED TERMS

There follows an index of the defined terms used in this Prospectus, together with details of the page(s) on which such term(s) is or are defined.

<p>£ iii</p> <p>Accountholder 211</p> <p>ACLSL 247</p> <p>Acquisition Proceeds 156</p> <p>Actual Finance Costs 156</p> <p>Actual Net Rental Income 156</p> <p>Adjusted Allocated Loan Amount 128</p> <p>Adjusted Available Issuer Income 200</p> <p>Adjusted Class Modification 233</p> <p>Adjusted Class of Notes 210</p> <p>Adjusted Noteholder 210</p> <p>Adjusted Rental Income 156</p> <p>administrator 63</p> <p>Agency Agreement 13, 186, 209</p> <p>Agent Bank 13, 209</p> <p>Allocated Loan Amount 156</p> <p>Arranger 19</p> <p>Assignment of Rent 153</p> <p>Available Issuer Income 200</p> <p>Available Issuer Principal 201, 224</p> <p>Available Liquidity Facility 190</p> <p>Available Release Premium Amounts 201, 224</p> <p>Basic Terms Modification 185, 234</p> <p>BCMSL 168</p> <p>Bifurcation Date 7</p> <p>BMI Healthcare 77</p> <p>Borrower 16</p> <p>Borrower Account Bank 135</p> <p>Borrower Account Holder 17</p> <p>Borrower Call Option 153</p> <p>Borrower Call Option Acceleration Event 155</p> <p>Borrower Call Option Agreement 153</p> <p>Borrower Call Option Charge 154</p> <p>Borrower Call Option Intercreditor Agreement 155</p> <p>Borrower Floating Charges 43</p> <p>Borrower Hedge Transactions 18</p> <p>Borrower Security 18</p> <p>Borrower Security Documents 152</p> <p>Borrower Security Trustee 18</p> <p>Borrower Subordinated Creditors 144</p> <p>Borrowers 16</p> <p>Borrowers' Discretionary Lease Rights 59</p> <p>Borrowers' Termination Rights 59</p> <p>Business Day 229</p> <p>BVI Floating Charge 153</p> <p>CAGR 72</p> <p>Call Option Assets 153</p> <p>Cash Management Agreement 14, 194</p> <p>Cash Management Services 194</p> <p>Cash Manager 14, 194</p>	<p>Certificates of Title 51</p> <p>Certification 211</p> <p>CGT 45</p> <p>Class A Noteholders 26, 212</p> <p>Class A Notes ii, 209</p> <p>Class A Step-up Fee 26, 221</p> <p>Class A Step-up Fee Rate 26, 221</p> <p>Class B Noteholders 26, 212</p> <p>Class B Notes ii, 209</p> <p>Class B Step-up Fee 26, 221</p> <p>Class B Step-up Fee Rate 26, 221</p> <p>Class C Noteholders 26, 212</p> <p>Class C Notes ii, 209</p> <p>Class C Step-up Fee 26, 221</p> <p>Class C Step-up Fee Rate 26, 221</p> <p>Class D Noteholders 26, 212</p> <p>Class D Notes ii, 209</p> <p>Class D Step-up Fee 26, 221</p> <p>Class D Step-up Fee Rate 26, 221</p> <p>Class of Noteholders 210</p> <p>Class of Notes 210</p> <p>Classes 210</p> <p>Clearstream, Luxembourg ii, 23, 211</p> <p>Closing Date ii, 7, 20, 209</p> <p>Closing Date Floating Charge Debenture 153</p> <p>Closing Date Floating Charges 43</p> <p>collecting agent 242</p> <p>Collection Period 21</p> <p>Collections 21</p> <p>Co-Manager 19</p> <p>Common Depository 23, 211</p> <p>compulsory winding-up 61</p> <p>Conditions 210</p> <p>Consolidated EBIT 157</p> <p>Consolidated EBITDA 158</p> <p>Consolidated EBITDAHR 158</p> <p>Consolidated EBITDAR 158</p> <p>Consolidated Property EBITDAHR 158</p> <p>Consortium 78</p> <p>Control Accounts 135</p> <p>Controlling Creditor 15, 177, 218</p> <p>Corporate Services Agreement 15</p> <p>Corporate Services Agreement 193</p> <p>Corporate Services Provider 15</p> <p>Corrected Loan 175</p> <p>court route 62</p> <p>CRD 66</p> <p>Creditors 158</p> <p>CVA 59</p> <p>D Rules 245</p>
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Debenture	153	Interest Determination Date	219
Default Interest	132	Interest Residual Amount	238
Deferred Consideration	180	Irish Financial Services Regulatory Authority	ii
Definitive Notes	212	Irish Paying Agent	14, 209
Deposit Account	135	Irish Stock Exchange	ii
Disposal Proceeds Account	135	Issuer	ii, 13, 209
Eligible Cost Savings	158	Issuer Account Bank	14
Eligible Investments	192	Issuer Account Bank Agreement	14, 188
Enterprise Act	66	Issuer Accounts	14, 188
Entrenched Right	145	Issuer Charged Property	215
ERM	55	Issuer Deed of Charge	13, 186, 209
ERM Environmental Report	55	Issuer Post-Enforcement Priority of Payments	201
Escrow Account	147	Issuer Pre-Enforcement Principal Priorities of Payments	201
Euroclear	ii, 23, 211	Issuer Pre-Enforcement Revenue Priority of Payments	198
Excess Junior A Debt	145	Issuer Priority of Payments	201
Excess Senior Debt	145	Issuer Profit Amount	200
Exchange Date	211	Issuer Secured Creditors	13, 214
Excluded Acquisition Proceeds	158	Issuer Share Capital Account	188
Excluded Insurance Proceeds	158	Issuer Share Trust Deed	13, 68
Expected Maturity Date	20	Issuer Share Trustee	13, 68
Extraordinary Resolution	234	Issuer Tax Reserve Ledger	195
Facility Agent	18	Issuer Transaction Account	188
Finance Documents	158	Issuer Transaction Documents	25
Finance Parties' Enforcement Rights	59	Junior A Debt	159
Finance Party	158	Junior A Lenders	130
First Rent Cover Test Date	139	Junior A Rate	132
Fitch	ii, 237	Junior B Debt	159
FRI Leases	22	Junior B Lender Release Premium Proportion	146
FSMA	244	Junior B Lenders	130
General Account	135	Junior B Rate	132
General Healthcare Group	77	Junior Lenders	130, 218
Global Note	211	Junior Loans	7, 130, 218
Grace Period	150	Junior Rates	7, 130, 132
Guarantors	131	Land Registry	51
Hedge Agreement	162	Lead Manager	19
Hedge Agreements	162	Lease	22
Hedge Counterparties	18	Lease Termination Event	129
Hedge Protection Advance	172	Leases	22
Hedge Protection Drawing	189	Legal Charge	153
Holdco	16	Lenders	130
Holdco Share Charge	153	Level 1 Trigger	164
Holdcos	16	Level 2 Trigger	164
holder of Notes	212	Level 3 Trigger	164
Holding Account	135	LIBOR	ii, 26
IFRS	48	LIBOR Screen Rate	220
IFSRA	ii	Liquidation Fee	175
Indemnity Deed	152	Liquidity Drawings	189
Initial Investors	133	Liquidity Facility	14, 29, 189
Insolvency Act	129	Liquidity Facility Agreement	14, 189
Instructing Group	149	Liquidity Facility Commitment	189
Insurance Policies	54	Liquidity Facility Provider	14
Insurance Proceeds	158	Liquidity Facility Term Date	192
Intercreditor Agreement	130	Liquidity Ledger	195
Intercreditor Agreements	130		
Interest Cover Test	140		

Liquidity Requisite Ratings	192	old UK GAAP	48
Liquidity Shortfall	189	Opco Facility Agreement	17
Liquidity Shortfall Drawing	189	Opco Security	155
Liquidity Stand-by Account	188, 191	Operating Adviser	15, 178
Liquidity Stand-by Drawing	191	Original Lenders	7
Liquidity Subordinated Amounts	192	out-of-court route	62
Loan Business Day	21	Parent	17
Loan Closing Date	130	paying agent	242
Loan Enforcement Action	224	Paying Agents	14, 209
Loan Event of Default	142	Payment Day	228
Loan Final Maturity Date	20	Permanent Global Note	ii, 211
Loan Interest Collections	159	Permitted Expenditure	159
Loan Interest Payment Date	20	PMI	74
Loan Interest Payment Date	132	Post-Step-up Reserve Ledger	195
Loan Interest Period	20, 131	Pounds Sterling	iii
Loan Principal Collections	159	Prepayment Fees	135
Loan Sale Agreement	9	Prepayment Fees Ledger	195
Loan Sale Assets	9	Prepayments Account	135
Loan Sale Documents	9	prescribed part	67
Loan to Value	159	Principal Amount Outstanding	27, 228
Loan to Value Test	139	Principal Collections	201, 225
Majority Junior A Lenders	159	Principal Ledger	195
Majority Lenders	159	Principal Paying Agent	13, 209
Majority Senior Lenders	159	Prior Ranking Debt	149
Managers	19	Prior Ranking Disposal Costs	137
Mandatory Prepayment Account	135	Private Medical Insurers	72
Master Definitions Schedule	193, 210	Pro Forma EBITDAHR Adjustment	159
Master Servicer	14, 217	Projected Finance Costs	159
Material Breach of a Senior Loan Warranty	184	Projected Net Rental Income	160
Material Damage Proceeds	134	Propco Facility	130
Material Default	147	Propco Facility Agreement	7, 130
Minority Senior Lender	7, 131	Propco Group	18, 160
Minority Senior Lender Intercreditor Agreement ...	130	Propco Loans	7, 130
Minority Senior Lenders	7, 131	Propco Obligations	152
Mixer	17	Properties	8, 22
Most Senior Class of Notes	210	Property Monitor	18, 155
MTM Amount	167	Property Monitoring Agreement	155
Net Disposal Proceeds	159	Property Portfolio	22
New Counterparty	166	Property Protection Advance	171
new UK GAAP	48	Property Protection Drawing	189
NHS	71	Property Valuation Report	22
Non-BMI Transferors	47	Prospective Directive	ii
Note Business Day	21, 220	Qualifying Bank	191
Note Calculation Date	20, 225	Qualifying Extraordinary Resolution	234
Note Enforcement Notice	230	Qualifying Resolution	235
Note Event of Default	230	Quarter Period	160
Note Final Maturity Date	21, 223	Rate of Interest	219
Note Interest Period	20, 219	Rating Agencies	ii, 237
Note Payment Date	ii, 20, 219	rating(s)	34
Note Proceeds	208	Recoverability Determination	172, 173
Noteholders	26, 209, 212	Reference Banks	220
Notes	ii, 23, 209	Registers of Scotland	51
Obligors	18	Regulations	40
Obligor's Agent	17	Related Unadjusted Class of Notes	210
Official List	ii	Release Amount	137

Release Premium Amount	147, 225	Special Servicing Fee	174
Release Premium Ledger	195	Specially Serviced Loan	169
Relevant Assets	154	Stabilising Manager	iv
Relevant Circumstances	46	Standard Security	153
relevant date	229	Standstill Period	149
Relevant Event	191	Step-up Date	20, 221
Relevant Implementation Date	245	Step-up Fee Residual Amount	238
Relevant Margin	26	Step-up Fees	26, 221
Relevant Member State	245	Sterling	iii
Relevant Period	160	Stock Exchange	222
Relevant Servicer	14, 15	Subordination Agreement	144
Remediable Default	150	Subscription Agreement	244
Rent Cover Ratio	160	Surplus Cash Flow	138
Rental Income Account	136	Tax Deed	151
Repayment Installment	132	Tax Liabilities	152
Required Ratings	165	Tax Reserve Account	136
Requisite Ratings	164	Taxes	229
Responsible Person	ii	Taxes Act	191
Restructuring Fee	175	Temporary Global Note	ii, 211
Revenue Ledger	195	Tenant	17, 77
Revenue Priority Amounts	198	Tenant Group	160
S&P	ii, 237	Tenant Group Adjusted Total Consolidated Debt	160
SDLT	46	Tenant Group Total Consolidated Debt	160
Section 179 Share Charge	153	Tenant Incurrence Test	134
Securities Act	244	Test Period	160
SECURITIES ACT	i	Theatre (Hospitals) No. 2	8
Security Interest	181	Theatre (Hospitals) No. 2 Notes	8
Security Interests	181	Theatre (Hospitals) No. 2 Portion	8, 131
Seller	16	Theatre (Hospitals) No. 2 Securitisation	8
Sellers	7, 16	Theatre (Hospitals) No. 2 Trustee	8
Senior Creditors	160	Topco	17
Senior Debt	160	Total Interest Cover Ratio	160
Senior Floor	146	Transfer Certificate	9
Senior Lender	13	Trust Deed	13, 185, 209
Senior Lender Release Premium Proportion	146	Trust Documents	25
Senior Loan Minority Portion	7, 130	Trustee	13, 209
Senior Loan Warranties	184	Trustee Control Trigger	168
Senior Loans	8, 131	UK-resident	47
Senior Rate	7, 130, 132	unsolicited ratings	34
Service Charge Account	136	URS	55
Servicer Call Option	226	UST	55
Servicing Agreement	14, 168	Utilisation Date	139
Servicing Fee	174	Valuation	22
Shortfall	232	Valuer	22
SPE	44	voluntary winding-up	61
Special Servicer	15	Whole Senior Loans	7, 130
Special Servicing Event	169		

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