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Epic Opera (Arlington) plc



Offering Circular 19 October 2004

Epic Opera (Arlington) plc



Epic Opera (Arlington) plc

(incorporated with limited liability in England and Wales with registration number 5216645)

£300,000,000 Commercial Mortgage Backed Floating Rate Notes due 2013

Epic Opera (Arlington) plc (the **Issuer**) will issue the £182,500,000 Class A Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class A Notes**), the £30,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class B Notes**), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class C Notes**), the £27,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class D Notes**) and the £30,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class E Notes**) and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Notes** on 22 October 2004 (or such later date as the Issuer may agree with Eurohypo AG, London Branch and The Royal Bank of Scotland plc (together the **Joint Arrangers**) and The Royal Bank of Scotland plc and UBS Limited (together the **Lead Managers**) (the **Closing Date**).

The Issuer has applied 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. A copy of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with requirements of the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland (the **Regulations**), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

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

Class	Initial Principal Amount	Margin (%)	Fitch	Anticipated Ratings Moody's	S&P
Class A	£182,500,000	0.23	AAA	Aaa	AAA
Class B	£30,000,000	0.38	AA	Aa1	AA+
Class C	£30,000,000	0.58	A+	A1	AA
Class D	£27,500,000	0.68	A	NR	A
Class E	£30,000,000	1.05	BBB	NR	BBB

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 28 January, 28 April, 28 July and 28 October in each year (subject to adjustment for non-business days) (each, an **Interest Payment Date**). The first Interest Payment Date will be the Interest Payment Date falling in January 2005. 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 Interest Period, the linear interpolation of three month and four month sterling deposits) (**LIBOR**, as further defined in **Condition 5.3** (Rates of Interest)) plus the relevant Margin. Each Margin will be as set out in the table above.

If any withholding or deduction for or on account of tax is applicable to the Notes, payment of interest on, and principal in respect of, the Notes will be made subject to such withholding or deduction. In such circumstances, neither the Issuer nor any other party will be obliged to pay any additional amounts as a consequence.

All Notes will be secured by the same security, subject to the priorities described in this Offering Circular. Notes of each Class will rank *pari passu* with other Notes of the same Class. Unless previously redeemed in full, the Notes of each Class will mature on the Interest Payment Date falling in October 2013 (the **Final Maturity Date**). The Notes will be subject to mandatory redemption before such date in the specific circumstances and subject to the conditions more fully set out under "*Transaction Summary – Principal features of the Notes*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any state securities laws, and are subject to U.S. tax law requirements. The Notes are being offered by the Issuer only to persons who are not U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**)) in offshore transactions in reliance on Regulation S (or otherwise pursuant to transactions exempt from the registration requirements of the Securities Act) and in accordance with applicable laws. Subject to certain exceptions, the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Persons (as defined in Regulation S under the Securities Act).

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 attached, which will be deposited on or about the Closing Date with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). 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 40 days after the Closing Date (provided that certification as to non-U.S. beneficial ownership has been received). Ownership interests in the Temporary Global Notes and the Permanent Global Notes (together, the **Global Notes**) will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg 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.

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

Joint Arrangers

EUROHYPO

THE ROYAL BANK OF SCOTLAND

Lead Managers

UBS INVESTMENT BANK

THE ROYAL BANK OF SCOTLAND

The date of this Offering Circular is 19 October, 2004

THE NOTES AND INTEREST THEREON WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OR RESPONSIBILITIES OF, NOR WILL THEY BE GUARANTEED BY, THE OBLIGORS, THE FINANCE PARTIES (OTHER THAN THE ISSUER), THE JOINT ARRANGERS, THE LEAD MANAGERS, THE SERVICER, THE SPECIAL SERVICER, THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY BANK OR THE ACCOUNT BANK (AS EACH TERM IS DEFINED IN THIS OFFERING CIRCULAR) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THEM.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Borrower accepts responsibility for the information contained in this Offering Circular under the sections entitled "*Transaction Summary – Key characteristics of the Portfolio – Properties*", "*The Borrower*" and "*Description of the Portfolio*" and the financial information set forth at Appendix A provided that the Borrower accepts responsibility for the correct extraction only from the Initial Valuation (or from any other third party report or survey) of any information reflecting the expression of an opinion by the Valuer (or any other consultant, surveyor or otherwise) with respect to the Portfolio (such as the market value, net rental income used in the valuation and the estimated rental value of the Portfolio) and any other information extracted from the Initial Valuation (or such other report or survey) which is not factual. To the best of the knowledge and belief of the Borrower (which has taken all reasonable care to ensure that such is the case) such information, as described above, is in accordance with the facts and does not omit anything likely to affect the import of such information. The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement. For further information in relation to these financial statements, see "*The Borrower*" section of this Offering Circular.

Each of the General Partner, Holdco, Subco and the Property Trustees (together with the Borrower, the **Obligors**) accepts responsibility for the information relating to it and contained in this Offering Circular respectively under the sections entitled "*The General Partner*", "*Holdco*", "*Subco*", "*Property Trustee 1*" and "*Property Trustee 2*". To the best of the knowledge and belief of each of the General Partner, Holdco, Subco and the Property Trustees (each of which has taken all reasonable care to ensure that such is the case) such information relating to it is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Obligor as to the accuracy or completeness of any information contained in this Offering Circular (other than the information relating to it respectively or as otherwise referred to above) or any other information supplied in connection with the Notes or their distribution. Other than with respect to the information referred to above, the Obligors have not separately verified the information contained herein and no representation, warranty or undertaking, express or implied, is made and no liability accepted by any of the Obligors as to the accuracy or completeness of such information. Each person receiving the Offering Circular acknowledges that such person has not relied on the Borrower or any of its affiliates, the General Partner, Holdco, Subco or the Property Trustees in connection with its investigation of the information contained herein (other than such information referred to above and for which the Borrower, the General Partner, Holdco, Subco or the Property Trustees have accepted responsibility respectively).

No person is or has been authorised to give any information or to make any representation in connection with the issue and sale of the Notes other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Borrower (or any companies in the same group of companies as, or affiliated to, the Borrower), the General Partner, Holdco, Subco, the Property Trustees, the Finance Parties, the Joint Arrangers, the Lead Managers, the Servicer, the Special Servicer, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Liquidity Bank or the Account Bank or any of their respective affiliates or advisers. Neither the delivery of this Offering Circular 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 change in the affairs of the Issuer, the Borrower (or any companies in the same group of companies as, or affiliated to, the Borrower), the General Partner, Holdco, Subco, the Property Trustees, 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.

Neither this Offering Circular nor any other information supplied in connection with the Notes should be considered as a recommendation by the Joint Arrangers or the Lead Managers or any person that any recipient of this Offering Circular should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the creditworthiness of the Issuer.

Other than the approval by the Irish Stock Exchange of this Offering Circular as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Offering Circular to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale*” below.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Lead Managers or any of them to subscribe for or purchase any of the Notes.

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

In connection with this issue, The Royal Bank of Scotland plc (the Stabilising Manager) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilising, if commenced, shall be in compliance with all applicable laws and regulations, may be discontinued at any time and must be brought to an end after a limited period. When conducted by Dutch persons or entities anywhere in the world or by non-Dutch persons or entities in The Netherlands, such stabilising will be conducted in accordance with the rules of the Further Conduct of Business Regulation to the Dutch Securities Market Supervision Act (Nadere Regeling gedragstoezicht effectenverkeer 2002) and will in any event be discontinued within 30 days after the Closing Date.

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PRINCIPAL CHARACTERISTICS OF THE NOTES

The following is a brief overview of the principal characteristics of the Notes offered under this Offering Circular. This information is subject to and is more fully explained in the other sections of this Offering Circular.

Notes	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes
Initial Principal Amount	£182,500,000	£30,000,000	£30,000,000	£27,500,000	£30,000,000
Issue price	100%	100%	100%	100%	100%
Interest rate	LIBOR + 0.23 per cent. per annum	LIBOR + 0.38 per cent. per annum	LIBOR + 0.58 per cent. per annum	LIBOR + 0.68 per cent. per annum	LIBOR + 1.05 per cent. per annum
Final Note Maturity Date	October 2013	October 2013	October 2013	October 2013	October 2013
Weighted average life	7 years	7 years	7 years	7 years	7 years
Early redemption premium for any early redemption of the Notes occurring:					
<ul style="list-style-type: none"> ● on or prior to the Interest Payment Date falling on or before 1 September 2005 	1%	1%	1%	1%	1%
<ul style="list-style-type: none"> ● on or prior to the Interest Payment Date falling on or before 1 September 2006 	0.5%	0.5%	0.5%	0.5%	0.5%
<ul style="list-style-type: none"> ● After the Interest Payment Date falling on or before 1 September 2006 	0%	0%	0%	0%	0%
Day count			Actual/365		
Frequency of payment of interest			Quarterly		
Form of Notes			Bearer		
Denominations			£50,000		
Clearing system			Euroclear and Clearstream, Luxembourg		
Credit enhancement (provided by other classes of Notes subordinated to the relevant class)	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes	Subordination of the Class C Notes, the Class D Notes and the Class E Notes	Subordination of the Class D Notes and the Class E Notes	Subordination of the Class E Notes	Nil
Listing			Irish Stock Exchange		
ISIN	XS0203508147	XS0203508659	XS0203508907	XS0203509038	XS0203509384
Common Code	020350814	020350865	020350890	020350903	020350938
Expected rating – Fitch	AAA	AA	A+	A	BBB
Expected rating – S&P	AAA	AA+	AA	A	BBB
Expected rating – Moodys	Aaa	Aa1	A1	NR	NR

TRANSACTION SUMMARY

The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular. Prospective purchasers of the Notes are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Offering Circular 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 Offering Circular, unless otherwise stated. An index of defined terms is set out at the end of this Offering Circular.

The Loan and the Loan Security

Pursuant to the terms of an agreement dated 1 September 2004 as amended on 15 October 2004, (the **Credit Agreement**), Eurohypo AG, London Branch and The Royal Bank of Scotland plc (together, the **Initial Lenders**) made available on 2 September 2004 (the **Loan Closing Date**) to Arlington Business Parks Partnership (the **Borrower**), an English limited partnership acting by its general partner, Arlington Business Parks GP Limited (the **General Partner**), a £300,000,000 loan facility (the **Loan**). The Borrower drew down the Loan in its entirety on 2 September 2004 (the **Drawdown Date**). The Borrower used the proceeds of the Loan to refinance certain of its existing indebtedness as at that date and for general partnership purposes.

Interest is payable under the Loan at a floating rate, determined on each Loan Interest Payment Date, calculated as of the Closing Date with reference to LIBOR for three month sterling deposits plus a margin. The Borrower has entered into and is required, under the terms of the Credit Agreement, to maintain (subject to certain limits) hedging arrangements in connection with the Loan with a view to ensuring continued payments of interest under the Loan notwithstanding variations in the floating rate of interest. The Borrower has assigned its rights under such hedging arrangements to the Property Trustees. See further “*The Loan and the Loan Security – Credit Agreement*” below.

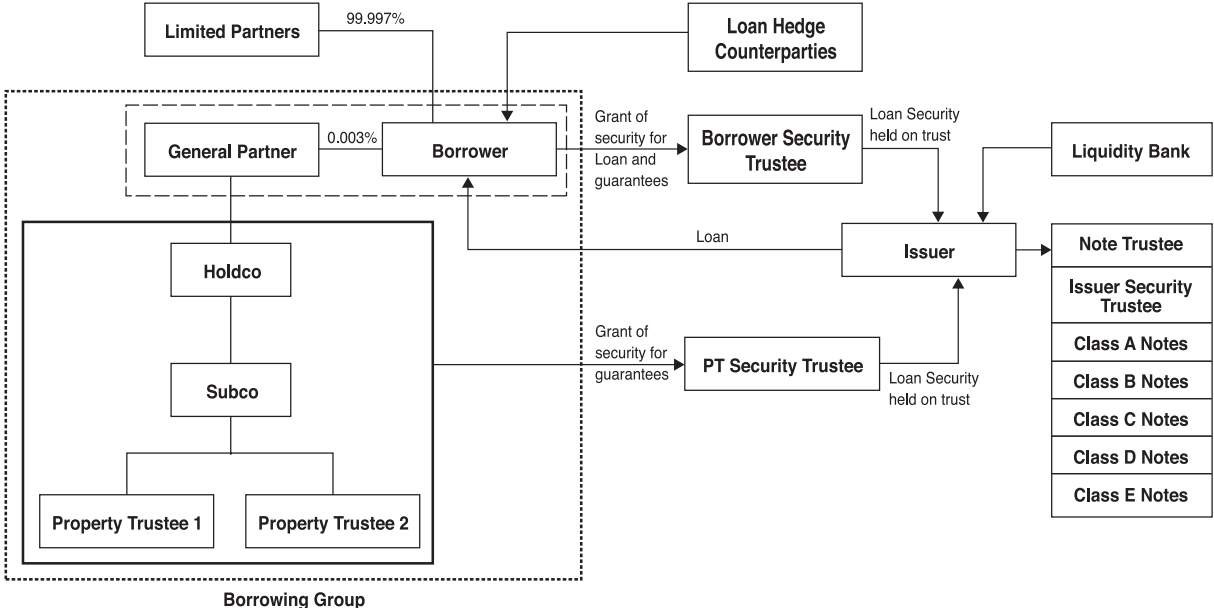
The Borrower owns, *inter alia*, a portfolio of 25 office properties in six business parks situated in or around South East England and Birmingham (each a **Property** and, together, the **Portfolio**). Pursuant to a trust deed dated 2 September 2004 (the **Property Trust Deed**), the Property Trustees have declared a trust in respect of the Properties (and all related rights, including the rents and insurances) in favour of the Borrower. In order to secure its obligations under the Credit Agreement and the other Finance Documents, the Borrower has, pursuant to a debenture dated 2 September 2004 (the **Borrower Deed of Charge**), granted first fixed security over all of its beneficial interest in the Properties and the other assets the subject of the Property Trust Deed. Furthermore, the General Partner, as security for the obligations of the Borrower, has, pursuant to the Borrower Deed of Charge, granted security over its rights under the Partnership Agreement (insofar as they relate to the assets secured by the Borrower Deed of Charge) and over all of the shares in Holdco. The obligations of the Borrower under the Credit Agreement and the other Finance Documents have been jointly and severally guaranteed by each of Holdco, Subco and the Property Trustees. These guaranteed obligations have in turn been secured by, *inter alia*, first fixed security granted by the Property Trustees over the Properties pursuant to a debenture dated 2 September 2004 (the **PT Deed of Charge**) as more particularly described under “*The Loan and the Loan Security – PT Deed of Charge*”. All of the security interests granted by the Obligors in connection with the Loan are, together, referred to as the **Loan Security** and are held on trust by Eurohypo AG, London Branch on behalf of the Finance Parties (which, after the Closing Date, will include the Issuer as set out below).

The Loan Sale Documents and the Issuer Security

On the Closing Date, the Issuer will issue the Notes and use the proceeds to acquire from the Initial Lenders, pursuant to the terms of a letter agreement dated 1 September 2004 (the **Loan Sale Letter Agreement**), a loan sale agreement to be dated on or about the Closing Date (the **Loan Sale Agreement**) and a novation certificate in the form attached to the Credit Agreement (the **Novation Certificate** and, together with the Loan Sale Letter Agreement and the Loan Sale Agreement, the **Loan Sale Documents**), all of the interest of the Initial Lenders in the Loan and the security trusts constituting the Loan Security together with all of their rights as lenders under the Finance Documents (including, without limitation, the Credit Agreement). The Issuer will use receipts of principal and interest in respect of the Loan, together with certain other funds available to it (as described elsewhere in this Offering Circular) to make payments of, among other things, principal and interest due in respect of the Notes.

As security for its obligations under (amongst other things) the Notes, the Issuer will grant fixed and floating security interests over all its assets and undertaking (which comprises, primarily, its rights in respect of the Loan and the Loan Security) in favour of the Issuer Security Trustee under the Issuer Deed of Charge. The Issuer Security Trustee will hold the benefit of this security on trust for itself, the Noteholders and the other Issuer Secured Creditors. The Issuer Deed of Charge will determine the priority of the claims of the Issuer Secured Creditors.

TRANSACTION STRUCTURE DIAGRAM



KEY TRANSACTION PARTIES

- Issuer:** Epic Opera (Arlington) plc (the **Issuer**) is a public company incorporated in England and Wales with limited liability. The Issuer's company registration number is 5216645. The entire issued share capital of the Issuer is held by or on behalf of SFM Corporate Services Limited on trust for charitable purposes.
- Borrower:** Arlington Business Parks Partnership (the **Borrower**) is a limited partnership established and registered with number LP 8624 under the Limited Partnership Act 1907 and formed pursuant to a limited partnership deed dated 3 April 2003 as amended and restated on 27 June 2003, 9 June 2004 and 8 October 2004 (the **Partnership Agreement**) between, *inter alios*, the General Partner and the Limited Partners. Arlington Business Parks GP Limited (the **General Partner**) is a private company incorporated in England and Wales with limited liability under registered number 4233559. As at the date hereof, the limited partners are Arlington LP Limited, a private company incorporated in England and Wales with limited liability under registered number 2805620 and Mourant & Co. Trustees Limited (in its capacity as trustee of Arlington Business Parks Unit Trust), a company incorporated in Jersey with limited liability under registered number 18478 (together with any person that becomes a limited partner in accordance with the terms of the Partnership Agreement (subject to the Credit Agreement), the **Limited Partners**).
- Property Trustees:** The Property Trustees are ABPGP S1 Limited (**Property Trustee 1**), a private company incorporated in England and Wales with limited liability under registered number 5190581 and ABPGP S2 Limited (**Property Trustee 2** and, together with Property Trustee 1, the **Property Trustees**), a private company incorporated in England and Wales with limited liability under registered number 5190540.
- Borrowing Group:** Each of the Property Trustees is wholly owned by Augusta 2 Limited (**Subco**), a private company incorporated in England and Wales with limited liability under registered number 5190538. Subco is wholly owned by Augusta 1 Limited (**Holdco**), a private company incorporated in England and Wales with limited liability under registered number 5190536. Holdco is wholly owned by the General Partner.
- In this Offering Circular, the term **Borrowing Group** means the Borrower, the General Partner, the Property Trustees, Holdco and Subco. For further details see the "*Transaction Structure Diagram*" above.
- Note Trustee:** The Bank of New York, acting through its office at One Canada Square, London E14 5AL, will act under the Note Trust Deed as trustee for the holders of the Notes (in this capacity, the **Note Trustee**).
- Issuer Security Trustee:** The Bank of New York, acting through its office at One Canada Square, London E14 5AL, will act as trustee for the Issuer Secured Creditors (including the Noteholders) under the Issuer Deed of Charge (in this capacity, the **Issuer Security Trustee**).
- Facility Agent:** Eurohypo AG, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA, has been appointed under the terms of the Credit Agreement to act, *inter alia*, as agent of the Lenders (in this capacity, the **Facility Agent**).
- Borrower Security Trustee:** The Facility Agent acting in its capacity as trustee under the terms of the Borrower Deed of Charge is referred to as the **Borrower Security Trustee**.

PT Security Trustee:	The Facility Agent acting in its capacity as trustee under the terms of the PT Deed of Charge is referred to as the PT Security Trustee .
Principal Paying Agent and Agent Bank:	The Bank of New York, acting through its office at One Canada Square, London E14 5AL, will be appointed to act as principal paying agent and agent bank under the Agency Agreement (in these capacities, the Principal Paying Agent and the Agent Bank).
Irish Paying Agent:	AIB/BNY Fund Management (Ireland) Limited, acting through its office at 1 Gandon House, Mayor Street, IFSC, Dublin 1, Ireland, will be appointed to act as paying agent in Ireland under the Agency Agreement (the Irish Paying Agent). The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Agency Agreement are together referred to as the Paying Agents .
Account Bank:	The Royal Bank of Scotland plc, acting through its office at London Corporate Service Centre, PO Box 39552, 3 rd Floor, 2½ Devonshire Square, London EC2M 4XJ, will act as account bank for the Issuer under the Bank Account Agreement (in this capacity, the Account Bank).
Liquidity Bank:	The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, will make the Liquidity Facility available to the Issuer under the Liquidity Facility Agreement (in this capacity, the Liquidity Bank).
Corporate Services Provider:	Structured Finance Management Limited will provide certain corporate administration and secretarial services to the Issuer under the Corporate Services Agreement (the Corporate Services Provider).
Share Trustee:	SFM Corporate Services Limited (the Share Trustee) holds its interest in the shares of the Issuer on trust for charitable purposes under the terms of a trust deed dated 1 September 2004 (the Share Trust Deed).
Loan Hedge Counterparties:	On 3 September 2004 the Borrower entered into interest rate swap arrangements (together with any replacement hedging arrangements entered into in connection with the Loan from time to time, the Loan Hedging Arrangements) with each of Eurohypo AG, London Branch, acting through its office at 4 th Floor, 90 Long Acre, London WC2E 9RA, and The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, (the Loan Hedge Counterparties , which term includes any other party appointed from time to time in accordance with the terms of the Credit Agreement) in respect of the Borrower's obligations under the Loan.
Servicer and Special Servicer:	Eurohypo AG, London Branch, acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA, will be appointed pursuant to the terms of the Servicing Agreement to carry out certain servicing and, if required, special servicing functions on behalf of the Issuer in connection with the Loan and the Loan Security (in these capacities, the Servicer , and the Special Servicer respectively, and together, as the context requires, the Servicer).
Finance Parties:	The Finance Parties under the Credit Agreement are the Loan Arrangers (being Eurohypo AG, London Branch and The Royal Bank of Scotland plc), the lenders from time to time under the Credit Agreement (the Lenders), the Loan Hedge Counterparties and the Facility Agent.

KEY CHARACTERISTICS OF THE LOAN

- Loan:** The Loan constitutes a full recourse obligation of the Borrower and is secured by, among other things, a first fixed charge over all of the Borrower's interests in the Properties, a first legal mortgage over all of the Property Trustees' interests in the Properties and first fixed security over the Occupational Leases, insurance policies, hedging arrangements, bank accounts and rental cashflows in respect of the Properties.
- Guarantee:** The obligations of the Borrower under the Credit Agreement have been guaranteed (the **Guarantee**) on a joint and several basis by each of Holdco, Subco and the Property Trustees (together in such capacity, the **Guarantors**). The Guarantee is limited in recourse to the proceeds of enforcement of the PT Deed of Charge.
- Purpose of Loan:** The proceeds of the Loan were applied by the Borrower, first, to refinance certain existing indebtedness of the Borrower as at the Drawdown Date and thereafter for general partnership purposes.
- Interest rate:** The Loan bears interest calculated as the sum of LIBOR (as defined under the Credit Agreement) plus a specified margin.
- Interest payments:** From the Closing Date, interest under the Loan will be paid quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year (each a **Loan Interest Payment Date**) in respect of successive interest periods (each referred to herein as a **Loan Interest Period**).
- Repayment:** Unless the Borrower has previously repaid the Loan, it will be required to repay the Loan, in full, on 28 October 2011 (the **Loan Maturity Date**).
- Voluntary prepayment:** The Borrower is entitled to prepay the Loan on any Loan Interest Payment Date, in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000), upon giving not less than 45 days' prior written notice to the Facility Agent and provided that the aggregate amount of prepayments does not exceed £90,000,000 unless the Loan is repaid in full. Amounts prepaid may not be redrawn.
- Optional prepayment by the Borrower will be subject to the following prepayment fees:
- (a) if prepayment occurs on or before 2 September 2005, a fee of 1.00 per cent. of the amount of the Loan prepaid;
 - (b) if prepayment occurs after 2 September 2005 but on or before 2 September 2006, a fee of 0.50 per cent. of the amount of the Loan prepaid; and
 - (c) if prepayment occurs after 2 September 2006, no prepayment fee will apply.
- Prepayment fees will not be payable in circumstances where, among other things, the Borrower prepays on account of an increase in a Lender's costs arising out of a change of law or regulation which has been passed onto it or where the Borrower is obliged to gross up interest payable on the Loan (see further "*The Loan and the Loan Security – Credit Agreement*" below).
- Mandatory Prepayment:** Prepayment of the Loan must be made if:
- (a) (no later than the latest date permissible under the relevant law) it becomes unlawful for a Lender to perform its obligations under the Credit Agreement or to fund or

maintain the Loan (in these circumstances breakage costs (if any) will not include a margin element);

- (b) a Property or any part of a Property is compulsorily acquired and the compulsory purchase has, or is likely to have, a Material Adverse Effect (in the opinion of the Majority Lenders), on the date the Borrower receives any compensation payable in respect of the compulsory purchase, in an amount equal to the market value of that Property as shown in the Initial Valuation; and
- (c) if major damage affects a Property, and to the extent that the reinstatement of the affected Property out of insurance proceeds has not commenced within 12 months from the date of such damage, in an amount equal to the market value of that Property as shown in the Initial Valuation.

In the event of prepayment of all or part of the Loan in any of the above circumstances, no prepayment fee will be payable by the Borrower.

Majority Lenders means, at any time, Lenders:

- (a) whose participations in the Loan then outstanding aggregate at least 66 per cent. of the Loan then outstanding; or
- (b) if there is no Loan then outstanding, whose commitments to lend then aggregate at least 66 per cent. of the total commitments; or
- (c) if there is no Loan then outstanding and the total commitments have been reduced to nil, whose commitments aggregated at least 66 per cent. of the total commitments immediately before the reduction.

Material Adverse Effect means:

- (a) in relation to the Borrower, a material adverse effect on the business or the financial condition of the Borrower or on the ability of the Borrower to comply with any of its obligations under any Finance Document to which it is a party; or
- (b) in the case of any other Obligor, a material adverse effect on the ability of that Obligor to comply with any of its obligations under any Finance Document to which it is a party.

Finance Documents includes the Credit Agreement, the Borrower Deed of Charge, the PT Deed of Charge, any supplemental debenture entered into in connection with the Loan, any Loan Hedging Arrangements, the Subordination Deed, any novation certificate and any document designated as such by the Borrower and the Facility Agent.

Representations and warranties:

The representations and warranties given by the Borrower and each other Obligor under the Credit Agreement, as of the date of the Credit Agreement, included (and, in respect of certain of the representations and warranties, as at each Loan Interest Payment Date, will include) among other things, warranties as follows:

- (a) due incorporation, capacity and authorisation;
- (b) no event of default under the Credit Agreement (each, a **Loan Event of Default**) is outstanding;
- (c) legality, validity and enforceability of the Finance Documents;
- (d) ownership and title to each of the Properties, in each case free from any security interests (other than those set out in the

Borrower Deed of Charge or the PT Deed of Charge (as appropriate));

- (e) first priority of the relevant Loan Security;
- (f) the absence of material litigation, arbitration or administrative proceedings which would be likely to have a Material Adverse Effect;
- (g) the truthfulness and accuracy of all factual information supplied by the Borrower and each other Obligor in connection with the Finance Documents and all information supplied by the Borrower to the Valuer for the purposes of each Valuation;
- (h) recent historical activities;
- (i) no change of business of the Borrower and each other Obligor; and
- (j) ownership of the Borrower and each other Obligor.

Valuation means a valuation of the Properties or, where appropriate, a Property by the Valuer or any valuer appointed by the Borrower in accordance with the terms of the Credit Agreement.

Loan Security:

As security for the repayment of the Loan, the Borrower and the General Partner have, on the Loan Closing Date, entered into a debenture (the **Borrower Deed of Charge**) pursuant to which the Borrower has granted fixed security over each of the Properties and all related interests and assets including:

- (a) a first fixed charge over its rights to the Trust Property and under the Property Trust Deed;
- (b) a first fixed charge over the Borrower's interest in the Properties (to the extent not subject to security under paragraph (a) above);
- (c) first fixed security over the rental income;
- (d) first fixed security over the relevant bank accounts;
- (e) first fixed security over the insurances; and
- (f) first fixed security over the hedging arrangements.

The General Partner has, in addition, granted first fixed security over its interests in the Partnership Agreement (only insofar as it relates to the other assets subject to security under the Borrower Deed of Charge) and all of the shares in Holdco.

The obligations of the Borrower under the Credit Agreement have been jointly and severally guaranteed by Holdco, Subco and the Property Trustees (together with the Borrower and the General Partner, the **Obligors**). Recourse under the Guarantee is limited to the proceeds of realisation of the security granted under the PT Deed of Charge. Holdco, Subco and the Property Trustees have, pursuant to a debenture (the **PT Deed of Charge**), granted the following security:

- (a) first fixed security over the shares of Subco (in the case of Holdco);
- (b) first fixed security over the shares of each of the Property Trustees (in the case of Subco); and

- (c) first fixed and floating security over all of the assets of Holdco, Subco and the Property Trustees (including, in the case of the Property Trustees, a first legal mortgage over the Properties).

In addition, the Limited Partners have entered into a subordination deed (the **Subordination Deed**) with, among others, the Facility Agent, subordinating all indebtedness owed by the Borrower or the General Partner to each Limited Partner (on the terms set out therein) to all liabilities owing to the Finance Parties under or in connection with the Credit Agreement. The Borrower and the General Partner are obliged, pursuant to the terms of the Credit Agreement, to ensure that all of the indebtedness to any Limited Partner, from time to time, of the Borrower and the General Partner is subject to the Subordination Deed.

For a more detailed description of the provisions of each of the Borrower Deed of Charge, the PT Deed of Charge and the Subordination Deed, see “*The Loan and the Loan Security*” below.

Loan Hedging Arrangements:

In order to address interest rate risk arising in connection with the Loan, the Borrower has entered into the Loan Hedging Arrangements with the Loan Hedge Counterparties. The Borrower has, pursuant to a deed of assignment dated 3 September 2004, assigned its rights under such Loan Hedging Arrangements to the Property Trustees. The Borrower is required, under the terms of the Credit Agreement to maintain (subject to certain limits), such Loan Hedging Arrangements or alternative hedging arrangements in connection with the Loan (each such alternative arrangement also a **Loan Hedging Arrangement**, where applicable).

For a more detailed description of the provisions of the Loan Hedging Arrangements, see “*The Loan and the Loan Security – Hedging obligations*” below.

Insurance:

The Borrower has undertaken, pursuant to the Credit Agreement, to maintain insurance of each Property on a full reinstatement value basis, including not less than three years’ loss of rent on all Occupational Leases together with third party liability insurance and insurance against subsidence and acts of terrorism (to the extent available) and to procure that the Facility Agent is named as co-insured on all relevant insurance policies.

All insurances required under the Credit Agreement must be with an insurance company or underwriter that:

- (a) has a long term credit rating of at least one or more of the following: A (or better) by Fitch, A2 (or better) by Moody’s and A (or better) by S&P; and
- (b) is otherwise reasonably acceptable to the Facility Agent.

KEY CHARACTERISTICS OF THE PORTFOLIO

Properties:

The Portfolio comprises 25 Properties located in six business parks in the South East of England and Birmingham and has a total net internal floor area of 1,405,537 square feet.

The Portfolio's current contracted rent is £28,791,400 per annum.

All of the occupational leases (the **Occupational Leases**) relating to the Properties are **FRI Leases** being "fully repairing and insuring" leases under which substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant Property are borne by the individual tenant, including the costs of repairing, maintaining and insuring¹ the relevant Property (or where a lease does not include the structure of the building the tenant pays a proportionate share of the landlord's costs of repairing and maintaining the structure and common areas).

Knight Frank LLP (**Knight Frank**) have valued the Portfolio at £401,940,000 on a net rent of £28,808,828² per annum and an estimated rental value (**ERV**) of £28,709,748 per annum. (See "Valuation Report" below).

Set out below are certain summaries of the Portfolio. A more detailed description is provided under the section entitled Description of the Portfolio below.

Portfolio Summary

Park	Valuation (£)	Contracted Rent (£ pa)	ERV (£ pa)	Net Internal Area (sq ft)
Birmingham	56,050,000	3,987,308	3,987,308	201,850
Hatfield	134,200,000	9,479,650	9,122,650	471,273
Oxford	52,175,000	3,422,829	3,698,187	190,408
Reading	78,085,000	5,853,850	5,836,853	224,661
Solent, Southampton.....	54,030,000	3,938,093	4,083,750	230,586
Uxbridge.....	27,400,000	2,109,670	1,981,000	86,759
Total	401,940,000	28,791,400	28,709,748	1,405,537

Source: Knight Frank, Initial Valuation

The majority of Properties in the Portfolio were completed within the last five years. Five of the Properties were built within the last eight years. One was completed in 1991/92 and refurbished in 2002 when the Borrower acquired it.

No leases expire during the term of the Loan. The weighted average term to lease expiry is 16.1 years from the Drawdown Date (2 September 2004). The weighted average remaining lease term to the earlier of first break or expiry is 14.7 years from the Drawdown Date (2 September 2004). Approximately 66 per cent. of space is let on leases with an unexpired term of 15 years or longer and these leases generate approximately 65 per cent. of the Portfolio's total rental income.

Telecommunications tenants constitute the largest industry grouping accounting for approximately 46 per cent. of Portfolio rental income. These tenants include major mobile operators T-Mobile (UK) Ltd (lease guarantee by T-Mobile International AG, a wholly owned subsidiary of Deutsche Telekom AG), Orange Personal Communications Services Ltd (lease guarantee by Orange plc), Vodafone Ltd and Hutchinson 3G UK Limited.

¹ Insurance included in all cases except for two leases to the UK government at Oxford 3400 – 3500, where the government self-insures.

² In line with market practice, Knight Frank LLP assumed that outstanding rent reviews are settled at ERV.

Government-related tenants – First Secretary of State, Secretary of State for Health and NATS (En Route) PLC which is 48.9 per cent. owned by the UK government – generate 16 per cent. of the total rental income

Other tenants represent a variety of industries including pharmaceutical (ca. 7 per cent. of Portfolio rent), IT (ca. 7 per cent.), insurance (ca. 6 per cent.) and publishing (ca. 4 per cent.).

There are 32 leases in place. Only 1.5 per cent. of the Portfolio (by area) is currently vacant.

The largest tenant (approximately 33 per cent. of Portfolio rent) is T-Mobile (UK) Ltd and has five leases in place with an average unexpired term of approximately 18 years and no break options.

Property management:

Arlington Property Adviser Limited (the **Initial Property Adviser**) has undertaken to the Facility Agent pursuant to a property adviser duty of care agreement to comply with the provisions of its appointment, including performing property advisory services on behalf of the Borrower.

Legal & General Property Limited (the **Initial Investment Adviser**) has undertaken to the Facility Agent pursuant to an investment adviser duty of care agreement to comply with the provisions of its appointment, including recommending the strategy for the Borrower's property portfolio.

Legal & General Investment Management Limited (the **Initial Operator**) is regulated by the Financial Services Authority and is authorised under the Financial Services and Markets Act 2000 (**FSMA**) to operate unregulated collective investment schemes which invest predominantly in property. The Initial Operator has undertaken to the Facility Agent pursuant to an operator duty of care agreement to comply with the provisions of its appointment, including the operation of all aspects of the Borrower's activities which do or may constitute regulated activities requiring authorisation under the FSMA to the exclusion of the General Partner.

The Borrower is required to obtain the Facility Agent's prior written consent to the termination of the appointment of the Initial Property Adviser, Initial Investment Adviser or Initial Operator and to appoint a new property adviser, investment adviser or operator, as applicable, approved by the Facility Agent within 60 days of that termination.

Valuation:

The aggregate open market value of the Portfolio as determined by Knight Frank (the **Valuer**) in their valuation report dated 9 August 2004 (the **Initial Valuation Date**) was £401,940,000 (the **Initial Valuation**). The Initial Valuation reflects the tenancies at the Properties as at 30 June 2004. Since the Initial Valuation Date, there has been no diminution in the value of the Portfolio. On the basis of the Initial Valuation, the loan to value ratio of the Loan on the date of this Offering Circular (expressed as a percentage) is 74.6 per cent.

Under the terms of the Credit Agreement, the Facility Agent has the right to call for a valuation of the Property at any time at the cost of the Lenders or, if a Loan Event of Default is outstanding, at the cost of the Borrower. The Credit Agreement provides for one annual valuation to be carried out (at the cost of the Borrower) at a time to be agreed between the Borrower and the Facility Agent.

See further "*Valuation Report*" below.

PRINCIPAL FEATURES OF THE NOTES

Notes:

The Notes will comprise:

- (a) £182,500,000 Class A Commercial Mortgage Backed Floating Rate Notes due October 2013;
- (b) £30,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due October 2013;
- (c) £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due October 2013;
- (d) £27,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due October 2013; and
- (e) £30,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due October 2013.

The Notes will be constituted pursuant to a trust deed made between the Issuer and the Note Trustee dated on or before the Closing Date (the **Note Trust Deed**). The Notes of each Class will rank *pari passu* and rateably and without any preference among themselves.

Status and priority:

Payments of interest in respect of the Class A Notes will rank ahead of payments of interest in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Payments of interest in respect of the Class B Notes will rank ahead of payments of interest in respect of the Class C Notes, the Class D Notes and the Class E Notes. Payments of interest in respect of the Class C Notes will rank ahead of payments of interest in respect of the Class D Notes and the Class E Notes. Payments of interest in respect of the Class D Notes will rank ahead of payments of interest in respect of the Class E Notes.

Other than in respect of certain prepayments (which will be dealt with as set out in **Condition 6** (Redemption)):

- (a) repayments of principal in respect of the Class A Notes will rank ahead of repayments of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes;
- (b) repayments of principal in respect of the Class B Notes will rank ahead of repayments of principal in respect of the Class C Notes, the Class D Notes and the Class E Notes;
- (c) repayments of principal in respect of the Class C Notes will rank ahead of repayments of principal in respect of the Class D Notes and the Class E Notes; and
- (d) repayments of principal in respect of the Class D Notes will rank ahead of repayments of principal in respect of the Class E Notes.

See further “*Credit Structure – Cashflows*” below.

Form of the Notes:

Each Class of Notes will be in bearer form. The Temporary Global Notes and the Permanent Global Notes of each Class will be held by a common depository for Euroclear and Clearstream, Luxembourg. The Notes will be in denominations of £50,000.

Ratings:

It is expected that the Notes will, on issue, be assigned the following ratings:

Class	Fitch	Moody's	S&P
Class A Notes	AAA	Aaa	AAA
Class B Notes	AA	Aa1	AA+
Class C Notes	A+	A1	AA
Class D Notes	A	NR	A
Class E Notes	BBB	NR	BBB

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations.

Listing:

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

Liquidity Facility:

On or before the Closing Date, the Issuer and the Liquidity Bank, among others, will enter into an agreement (the **Liquidity Facility Agreement**) pursuant to which the Liquidity Bank will make available to the Issuer a facility which the Issuer can draw on to fund certain shortfalls in available income (including amounts available to pay interest on the Notes) from time to time (as described further under "*Transaction Documents – Liquidity Facility Agreement*" below).

Final redemption:

Unless previously redeemed in full, the Notes will mature on the Final Maturity Date.

Mandatory redemption in whole for tax and other reasons:

The Issuer will, 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 Note 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 interest, on any Interest Payment Date on or after the date on which any deduction or withholding for or on account of any tax is imposed in respect of any payment under the Notes or in respect of any payment by the Borrower under the Loan or after the date on which it becomes unlawful for the Issuer to make, lend or allow an advance under the Loan to remain outstanding.

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

Mandatory redemption in whole or in part:

If the Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of the Loan on or before the next Interest Payment Date, the Issuer will, subject as provided in **Condition 6.3** (Mandatory redemption in whole or in part), upon giving not more than 60 and not less than 30 days' notice to the Noteholders and provided that it has satisfied the Note Trustee that it has or will have sufficient funds available to it, redeem some or all of a specified principal amount of the Notes in accordance with (and at a price determined by) the appropriate provisions of **Condition 6.3** (Mandatory redemption in whole or in part).

If the Borrower prepays the Loan in circumstances where no prepayment fees are payable (such as on account of an increase in Lender's costs arising out of a change of law or regulation which have been passed onto it, or where the Borrower is obliged to gross

up interest payable on the Loan, or in respect of any prepayment after 2 September 2006), then the Issuer may redeem the Notes at their Principal Amount Outstanding with no early redemption premium. For a list of the circumstances in which the Borrower can prepay the Loan without having to pay any prepayment fees, see “*The Loan and the Loan Security – Credit Agreement*” below.

No purchase of Notes by the Issuer:

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

Interest rates:

Each Class of Notes will initially bear interest calculated as the sum of LIBOR (as defined in **Condition 5.3** (Rates of Interest)) plus the relevant Margin.

The interest rate margin applicable to each Class of Notes will be as follows (each, a **Margin**):

Class	Margin (%)
Class A Notes	0.23
Class B Notes	0.38
Class C Notes	0.58
Class D Notes	0.68
Class E Notes	1.05

Interest payments:

Interest will be payable on the Notes quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year, unless the same is not a Business Day, in which case it shall be postponed to the following Business Day in the same calendar month (if there is one) or brought forward to the previous Business Day (if there is not) (each, an **Interest Payment Date**). For these purposes, **Business Day** means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in London and Dublin.

Interest Periods:

The first Interest Period will run from (and including) the Closing Date to (but excluding) the first Interest Payment Date and subsequent Interest Periods will run from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. The Noteholders will be entitled to receive a payment of interest only in so far as payment is in accordance with the relevant Priority of Payments (as described in “*Transaction Documents – Cashflows*” below). Other than in relation to the Most Senior Class of Notes then outstanding (as defined in the Terms and Conditions of the Notes), any interest not paid on the Notes when due will accrue interest and will be paid only to the extent that there are funds available on a subsequent Interest Payment Date in accordance with the relevant Priority of Payments (as described in “*Transaction Documents – Cashflows*” below).

Issue price:

The Class A Notes will be issued at 100 per cent. of their aggregate initial Principal Amount Outstanding.

The Class B Notes will be issued at 100 per cent. of their aggregate initial Principal Amount Outstanding.

The Class C Notes will be issued at 100 per cent. of their aggregate initial Principal Amount Outstanding.

The Class D Notes will be issued at 100 per cent. of their aggregate initial Principal Amount Outstanding.

The Class E Notes will be issued at 100 per cent. of their aggregate initial Principal Amount Outstanding.

Withholding tax: If any withholding or deduction for or on account of any tax is imposed in respect of payments under the Notes, the Issuer will make payments subject to such withholding or deduction and neither the Issuer nor any other entity will be required to gross-up or otherwise pay additional amounts in respect thereof. See “*United Kingdom Taxation*” below.

Security for the Notes: The Notes will be secured pursuant to a deed of charge made between, amongst others, the Issuer and the Issuer Security Trustee and dated on or before the Closing Date (the **Issuer Deed of Charge**).

The Issuer Security Trustee will hold the security granted under the Issuer Deed of Charge on trust for itself and the Noteholders, the Couponholders, any receiver appointed by the Issuer Security Trustee, the Note Trustee, any person appointed by either the Issuer Security Trustee or the Note Trustee, the Paying Agents, the Agent Bank, the Corporate Services Provider, the Servicer, the Special Servicer, the Liquidity Bank, the Account Bank and the Initial Lenders (together, the **Issuer Secured Creditors**).

The Issuer will grant the following security interests under or pursuant to the Issuer Deed of Charge (the **Issuer Security**):

- (a) a first ranking assignment of its rights in respect of the Loan and the Loan Security;
- (b) a first ranking assignment of its rights under the other Transaction Documents to which it is a party;
- (c) a first fixed charge of its rights to all monies standing to the credit of the Issuer’s Accounts;
- (d) a first fixed charge of its interest in any Eligible Investments made by it or on its behalf; and
- (e) a first floating charge over the whole of its undertaking and of its property and assets not already subject to fixed security.

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

Prior to the occurrence of a Note Event of Default and enforcement of the Issuer Security, payments of interest in respect of each Class of Notes will rank in accordance with the Pre-Enforcement Revenue Priority of Payments and payments of principal (if any) will rank in accordance with the Pre-Enforcement Principal Priority of Payments (as described in “*Transaction Documents – Cashflows*” below). Upon the occurrence of a Note Event of Default and enforcement of the Issuer Security, payments in respect of each Class of Notes will rank in accordance with the Post-Enforcement Priority of Payments (as described in “*Transaction Documents – Cashflows*” below).

Transfer restrictions: There will be no transfer restrictions in respect of the Notes, subject to applicable laws and regulations.

Governing law: The Notes and the other Transaction Documents will be governed by English law.

RISK FACTORS

Set out in this section is a summary of certain issues of which prospective Noteholders should be aware before making a decision whether or not to invest in Notes of any Class. This summary is not intended to be exhaustive. Therefore, prospective holders of the Notes should read also the detailed information set out elsewhere in this Offering Circular and form their own views before making any investment decision.

A. Considerations relating to the Notes

Liability under the Notes

The Issuer is the only entity which has obligations to pay principal, premium (if any) and interest in respect of the Notes. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity, including (but not limited to) the Finance Parties, the Obligors, the Joint Arrangers, the Lead Managers, the Note Trustee, the Issuer Security Trustee, the Share Trustee, the Liquidity Bank, the Servicer, the Special Servicer, the Paying Agents, the Agent Bank, the Corporate Services Provider or the Account Bank, or by any entity affiliated to any of the foregoing.

Limited resources of the Issuer

The Notes will be full recourse obligations of the Issuer. However, the assets of the Issuer will themselves be limited. The ability of the Issuer to meet its obligations under the Notes will be dependent primarily upon the receipt by it of principal and interest from the Borrower under the Loan (see further “*Considerations relating to the Loan and the Properties*” below), the receipt of funds (if available to be drawn) under the Liquidity Facility Agreement and the receipt of funds under the Borrower Deed of Charge (or, in the event of an administration of the Borrower, under the Guarantee and pursuant to the PT Deed of Charge). Other than the foregoing, and any interest earned by the Issuer in respect of its bank accounts, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes.

Upon enforcement of the security for the Notes, the Issuer Security Trustee or any receiver will, in practice, have recourse only to the Loan and the Issuer’s interest in the Loan Security, and to any other assets of the Issuer then in existence as described in this document. It should be noted that, upon enforcement of the security, the Issuer will not be able to make any further drawings under the Liquidity Facility Agreement.

Ratings of the Notes

The ratings assigned to each Class of the Notes by the Rating Agencies are based on the Loan, the Loan Security, the Portfolio and other relevant structural features of the transaction, including, among other things, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Bank and the Loan Hedge Counterparties. These ratings reflect only the views of the Rating Agencies.

The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Final Maturity Date. There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the market value and/or liquidity of the Notes of any Class.

Credit rating agencies other than Fitch, Moody’s and S&P could seek to rate the Notes (or any Class of them) without having been requested to do so by the Issuer, and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch, Moody’s and S&P, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes of any Class. In this Offering Circular, all references to ratings in this Offering Circular are to ratings assigned by the Rating Agencies (namely Fitch, Moody’s and S&P).

Ratings confirmations

Under the Transaction Documents, the Note Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of any Class of Noteholders, or, as the case may be, all the Noteholders, and if the Note Trustee shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the

Issuer and the Noteholders. In making such a determination, the Note Trustee will be entitled to take into account, among other things, any confirmation by the Rating Agencies (if available) that the then current rating of the Notes of the relevant Class would, or, as the case may be, would not, be adversely affected by any event, matter, or thing.

It should be noted, however, that the decision as to whether or not to confirm any particular rating may be made on the basis of a variety of factors and no assurance can be given that any such confirmation will not be given in circumstances where the relevant proposed matter would materially adversely affect the interests of Noteholders of a particular Class. The Rating Agencies, in assigning credit ratings, do not comment upon the interests of holders of securities (such as the Notes) and, in any event, there can be no assurance that the Rating Agencies would provide any such confirmation.

Absence of secondary market; limited liquidity

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange. There is not, at present, a secondary market for the Notes. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

Availability of Liquidity Facility

Under the Liquidity Facility Agreement, the Liquidity Bank will (prior to the service of an Acceleration Notice) make available to the Issuer the £18,500,000 Liquidity Facility to assist the Issuer in making payments of, *inter alia*, interest in respect of the Notes. The Liquidity Facility will not be available to the Issuer to enable it to make any payment of principal or premium (if any) payable in respect of the Notes of any Class.

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. See further “*Credit Structure – Liquidity Facility Agreement*” below.

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).

Subordination of Class B Notes, Class C Notes, Class D Notes and Class E Notes

After enforcement of the security for the Notes under the Issuer Deed of Charge, payments of principal and interest in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be subordinated to payments of principal and interest in respect of the Class A Notes. Payments of principal and interest in respect of the Class C Notes, the Class D Notes and the Class E Notes will be subordinated to payments of principal and interest in respect of the Class B Notes. Payments of principal and interest in respect of the Class D Notes and the Class E Notes will be subordinated to payments of principal and interest in respect of the Class C Notes. Payments of principal and interest in respect of the Class E Notes will be subordinated to payments of principal and interest in respect of the Class D Notes.

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient funds (including any funds available to be drawn for that purpose under the Liquidity Facility Agreement) to make payment in full of interest due on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, then the Issuer will be entitled (under **Condition 5.8** (Deferral of payment) of the terms and conditions of the Notes) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute a Note Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes, the Class D Notes and the Class E Notes only. If there are no Class B Notes outstanding the Issuer will be entitled to defer payments of interest in respect of the Class D Notes and the Class E Notes only. If there are no Class C Notes outstanding the Issuer will be entitled to defer payments of interest in respect of the Class E Notes only.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver, the Note Trustee and the Issuer Security Trustee, all amounts due to the Servicer, the Special Servicer, the Corporate Services Provider, the Account Bank, the Paying Agents, the Agent Bank and all payments due to the Liquidity Bank under the Liquidity Facility (other than in respect of Liquidity Subordinated Amounts)) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders, all amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders, all amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders and all amounts owing to the Class D Noteholders will rank higher in priority to all amounts owing to the Class E Noteholders.

Conflict of interests between Classes of Noteholders

The Note Trustee will be required, in performing its duties as trustee under the Note Trust Deed, to have regard to the interests of all the Noteholders together. However, if (in the sole opinion of the Note Trustee) there is conflict between the interests of the holders of one or more Classes of Notes and the interests of the holders of one or more other Classes of Notes, then the Note Trustee will be required in certain circumstances to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding. For these purposes, the interests of individual Noteholders will be disregarded and the Note Trustee will determine interests viewing the holders of any particular Class of Notes as a whole.

Withholding or deduction under the Notes

In the event that a withholding or deduction for or on account of any taxes is imposed by law, or otherwise applicable, in respect of amounts payable under the Notes, neither the Issuer nor any Paying Agent or any other entity is obliged to gross up or otherwise compensate Noteholders for the lesser amounts which the Noteholders will receive as a result of the imposition of such withholding or deduction. The imposition of such withholding or deduction would entitle (but not oblige) the Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest but excluding any premium), thereby shortening the average lives of the Notes.

Yield and prepayment considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of receipt by the Issuer of amounts of principal in respect of the Loan and the purchase price paid by the holders of the Notes. Such yield may be adversely affected by one or more prepayments in respect of the Loan.

The Borrower has the option to prepay the Loan at any time, although, if it chooses to do so on or before 2 September 2006, it will be required to pay certain prepayment charges. Subject as stated below, if the Borrower prepays the Loan in whole or in part, the Issuer will effect a redemption of the Notes (in accordance with **Condition 6.3** (Mandatory redemption in whole or in part)) in a corresponding principal amount of, first, the Class A Notes, then the Class B Notes, then the Class C Notes, then the Class D Notes and, finally, the Class E Notes. If, however, the Borrower disposes of a Property and such Property is not substituted in accordance with the terms of the Credit Agreement, any related principal prepayment amount which the Issuer receives will be applied in redemption of the Notes as follows:

- (a) up to an amount equal to the specified Allocated Debt Amount, in redemption *pro rata* of each Class of Notes; and
- (b) for any amount in excess of the Allocated Debt Amount, in redemption first of the Class A Notes, then of the Class B Notes, then of the Class C Notes, then of the Class D Notes and, finally, of the Class E Notes.

B. Considerations relating to the Loan and the Loan Security

Late payment or non-payment of rent

There is a risk that rental payments due under an Occupational Lease on or before the relevant Interest Payment Date will not be paid on the due date or not paid at all. If any payment of rent is not received on or prior to the immediately following Interest Payment Date and any resultant shortfall is not otherwise compensated for from other resources, there may be insufficient cash available to the

Borrower to make payments to the Issuer under the Loan. Such a default by the Borrower 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 the late payment of rent.

Prepayment of the Loan

The Borrower is obliged, in certain circumstances, to prepay the Loan in whole or in part prior to the Loan Maturity Date. These circumstances include on disposal of all or part of a Property (where such Property has not been substituted in accordance with the terms of the Credit Agreement); where a Property has been destroyed or damaged and reinstatement works have not commenced on that Property following receipt of insurance proceeds within twelve months of its destruction or damage to it; and where any Property has been compulsorily acquired. These events are beyond the control of the Borrower and the Issuer. In addition, the Borrower is permitted under the Credit Agreement (at its option but subject to certain conditions) to prepay all or up to £90,000,000 of the Loan on a Loan Interest Payment Date on 45 days' prior notice. Any such prepayment may result in the Notes being prepaid earlier than anticipated.

Refinancing risk

Unless previously repaid, the Borrower will be required to repay the Loan on the Loan Maturity Date. The ability of the Borrower to repay the Loan in its entirety on the Loan Maturity Date will depend, among other things, upon its ability to find a lender willing to lend to the Borrower (secured against some or all of the Properties) sufficient funds to enable repayment of the Loan. If the Borrower cannot find such a lender, then the Borrower may be forced, in circumstances which may not be advantageous, into selling some or all of the Properties in order to repay the Loan. Failure by the Borrower to refinance the Loan or to sell the Properties on or prior to the Loan Maturity Date may result in the Borrower defaulting on the Loan. In the event of such a default, the Noteholders, or the holders of certain Classes of Notes, may receive by way of principal repayment an amount less than the 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

The Borrower and the Property Trustees have, in accordance with the terms of the Credit Agreement, established a number of bank accounts into which, among other things, rental income and disposal proceeds in respect of the Properties must be paid (see further "*The Loan and the Loan Security – Borrower Group Accounts*" below). The Borrower and the Property Trustees have, pursuant to the terms of the Borrower Deed of Charge and the PT Deed of Charge, respectively, granted security over all of their interests in the relevant Borrowing Group 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 Credit Agreement provides that the Facility Agent is to have sole signing rights over the Rent Account), there is a risk that, if the Borrower Security Trustee, the PT Security Trustee or the Issuer Security 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 notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts 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.

Assignment of rents

Pursuant to the terms of the Borrower Deed of Charge and the PT Deed of Charge, the Borrower and the Property Trustees have assigned, by way of security, the rent receivable in respect of Occupational Leases to the Borrower Security Trustee and the PT Security Trustee, respectively. So long as no receiver has been appointed and/or the mortgagee is not in possession, no notice of the assignment will be given to the tenants under the Occupational Leases. Accordingly, these assignments will take effect as equitable assignments only and may be subject to any prior equities or claims, such as rights

of set-off between the landlord and the relevant occupational tenant. Each of the Borrower and the Property Trustees has covenanted in the Credit Agreement not to dispose of assets (such as the rental income) to any other party; if they did so assign the rents in breach of that provision and subsequently gave notice of the assignment to the relevant occupational tenant(s) then the relevant assignee's claims would have priority over the rents in question. However, this would constitute a Loan Event of Default, entitling the Issuer to accelerate the Loan and enforce the Loan Security.

Hedging risks

The Loan bears interest at a floating rate. The income to be applied in repayment of the Loan (comprising, primarily, rental income in respect of the Properties) does not vary according to prevailing interest rates. Therefore, in order to address this interest rate risk the Borrower has entered into and, under the terms of the Credit Agreement, is required to maintain, the Loan Hedging Arrangements. See further "*The Loan and the Loan Security – Hedging obligations*" below.

If the Borrower were to default in its obligation to maintain suitable hedging arrangements, or if a Loan Hedge Counterparty were to default in its obligations to the Borrower, then the Borrower may have insufficient funds to make payments due at that time in respect of the Loan. In these circumstances the Issuer may have insufficient funds to make payments in full on the Notes and Noteholders could, accordingly, suffer a loss.

Other indebtedness of the Borrower

The Borrower, which has been in existence since 2003, was not formed specifically for the purposes of this transaction and has indebtedness other than that incurred under the Loan. Furthermore, the Borrower may incur additional indebtedness in connection with its business after the Closing Date. The existence of such indebtedness may adversely affect the financial viability of the Borrower. Additional debt increases the possibility that the Borrower would lack the resources to repay the Loan and its other debt. In addition, the Borrower may have actual or contingent liabilities linked to its activities which may result in the insolvency or administration of the Borrower.

In order to address these risks, the Credit Agreement restricts the right of the Borrower to incur additional indebtedness to within defined limits. Furthermore, the due diligence carried out on behalf of the Initial Lenders was designed to identify actual or contingent liabilities of the Borrower prior to the granting of the Loan (as to which see further "*The Loan and the Loan Security – Legal Due Diligence*"). There can be no assurance, however, that no such actual or contingent liabilities exist or that the activities of the Borrower outside of the transaction will not lead to its being the subject of an insolvency or administration order.

Administration of the Borrower

The making of an administration order under the Insolvency Act 1986 (as amended) (as applied to limited partnerships by virtue of the Insolvent Partnerships Order (SI 1994/2421) prohibits a secured creditor from enforcing its security unless the consent of the administrator or the leave of the court is obtained. As the Borrower (a) is an English limited partnership formed under the Limited Partnerships Act 1907 and (b) has not granted a floating charge in order to secure its obligations under the Credit Agreement, it will not be possible to block the making of an administration order in respect of the Borrower and its assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay of proceedings upon the making of such an administration order, the Borrower Security Trustee would not be entitled to enforce its security over the Borrower's assets, unless it obtained the consent of the administrator or approval of the court. In these circumstances, it is likely that the PT Security Trustee would also be prevented from enforcing the security granted by the Property Trustees (since it largely relates to assets to which the Borrower is beneficially entitled) without the consent of the administrator or the leave of the court.

In order to ensure that, in the event of an administration order being made in respect of the Borrower, the rental income and any disposal proceeds relating to the Properties continue to be applied in meeting the Borrower's obligations under the Credit Agreement, the Obligors have entered into the arrangements described in "*The Loan and the Loan Security – Loan Security*". Pursuant to these arrangements, the Borrower has, *inter alia*, directed the Property Trustees to grant the Guarantee and Holdco and Subco have also guaranteed the Borrower's obligations. The Property Trustees will be required and empowered to satisfy their obligations under the Guarantee out of the Trust Property and such payments to the Issuer will not violate the automatic stay provisions that would come into place

upon the making of any administration order in respect of the Borrower. The effectiveness of such arrangements, however, could be challenged by an administrator or a third party creditor of the Borrower in the courts of England and Wales. Any such challenge could give rise to delays in enforcement of the security in respect of the Properties and the rents. Although the Liquidity Facility will, subject to certain conditions, be available, there is no guarantee that (if available) it would be in an amount sufficient to meet any shortfalls arising as a result of any such delays in enforcement.

C. Considerations relating to the Properties

Concentration of risk generally

The Loan is secured by, among other things, first fixed charges 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 Loan will be those amounts standing to the credit of the Rent Account from time to time, payments received from the Loan Hedge Counterparties, certain insurance proceeds, funds generated by disposals of the Properties and any amounts generated by enforcement of the security granted by the Obligors. There will be no other resources available to make payments under the Loan.

Real property investments 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 space, a reduction in demand for retail real estate in an area, competition from other available space 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. Retail rentals and values are sensitive to such factors, which can sometimes result in rapid, substantial increases and decreases in rental and valuation levels.

Borrower's dependence on occupational tenants

The Borrower's ability to meet its obligations under the Credit Agreement will depend upon its continuing to receive a significant level of aggregate rent from the tenants under the Occupational Leases. The Borrower's ability to make payments in respect of the Credit Agreement could be adversely affected if occupancy levels at the Properties were to fall or if a significant number of tenants were unable to meet their obligations under the Occupational Leases.

The ability to attract the appropriate types and number of tenants paying rent levels sufficient to allow the Borrower to make payments due under the Credit Agreement will depend on, among other things, the performance generally of the office and the business park property market. Continued global instability (resulting from economic and/or political factors, including the threat of global terrorism) may adversely affect the United Kingdom economy.

Rental levels, the quality of the building, the amenities and facilities offered, the convenience and location of the Properties, the amount of space available, the transport infrastructure and the age of the building in comparison to the alternatives, are all factors which influence tenant demand. 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 the demand for units in the Properties.

Privity of contract

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

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

Except as disclosed in the Certificates of Title, each existing Occupational Lease (other than short term at will or licence arrangements) prohibits the relevant tenant from assigning without the landlord's previous consent, which is not to be unreasonably withheld. However, whilst it will be reasonable to refuse consent to assign where the new tenant clearly cannot afford to pay the rent or perform the covenants, there can be no assurance that any assignee of an occupational lease (or any part thereof), nor any subsequent assignees covered by an authorised guarantee, will be of a similar credit quality to the existing tenants. Moreover, although the interpretation of the Covenants Act on this point is unclear, it is arguable that the guarantor of a tenant under a new tenancy cannot be required, at the time when it enters into that guarantee, to guarantee or to commit to guarantee the obligations of that tenant under an authorised guarantee when that tenant itself assigns. Therefore, there can be no assurance, in the absence of clarifying court decisions, that any guarantor of an existing tenant can be required to guarantee an authorised guarantee given by the existing tenant on assignment. In addition, not all existing Occupational Leases require assigning tenants to enter into authorised guarantee agreements.

Development of the Properties

The Borrower will have certain discretions as to matters including the design and configuration of the Properties and developments within and outside the Properties. The Borrower is required under the terms of the Credit Agreement to provide the Facility Agent with information in relation to any proposed developments in relation to the Properties within six months of the proposed commencement and with information relating to the progress of any development, extension and/or refurbishment in respect to any Property. Furthermore, both the Borrower and the Property Trustees have undertaken not to carry out any developments in relation to the Properties which would be likely to reduce the value of the Properties. Although the Borrower and the Arlington Group (the **Arlington Group** being Arlington Property Services Limited and its subsidiaries from time to time) are experienced in managing business parks, there can be no assurance that decisions taken by them in the future will not adversely affect the value of or cashflows from the Properties.

Statutory rights of tenants

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

Administration risk in respect of certain tenants

If a corporate tenant were to go into administration, the Borrower and the Property Trustees would be prohibited under the Insolvency Act 1986 (as amended the **Insolvency Act**) from taking any action whatsoever against the occupational tenant for recovery of sums due by means of distress or any other legal process. In addition, the Borrower and the Property Trustees would not be permitted to exercise a right of forfeiture by peaceable re-entry in respect of the lease except with the consent of the administrator or the leave of the court.

The statutory moratorium on the enforcement of all legal proceedings against a tenant company in administration, as described above, is effective from the time an administration application is filed at court or, where an administrator is to be appointed to a tenant company out of court, from the time a notice of intention to appoint an administrator is filed at court in accordance with the Insolvency Act 1986.

If the corporate tenant in administration is still trading at the premises or has plans to recommence trading with a view to the survival of the company as a going concern, the court might refuse to grant a landlord the right to re-enter the premises occupied by that tenant or to forfeit the lease, on the grounds that to do so would frustrate the purpose of the administration and, furthermore, the court might do so

notwithstanding that the administrator was only paying a reduced or even zero rent under the terms of the relevant lease. This change in legislative approach could impact on the management of the Properties and could result in an increase in the number of units in the Properties which are currently producing no or reduced income from time to time. However, there is no certainty at this time as to how the court would apply these new provisions.

Leasing Parameters

The level of service charges payable by tenants under their respective Occupational Leases may differ, but the overall level of service charges payable by all tenants is normally calculated by reference to expenditure with a final reconciliation so as to ensure that the landlord recovers from the tenants (taken as a whole) substantially all of the service costs associated with the management and operation of the Properties to the extent that the Borrower itself does not itself make a contribution to those costs. The landlord is not entitled to recover from the tenants the costs associated with any major improvements to or refurbishments of the relevant Property. Also, to the extent that there are any unlet units in any of the Properties, the Borrower will generally experience a shortfall depending on the portion of the Properties that are empty.

Reliance on Valuation Report

The valuation report (the **Valuation Report**) set out under the heading “*Valuation Report*” below is addressed to, among others, each of the Issuer, the Issuer Security Trustee and the Note Trustee but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Portfolio at £401,940,000 based on the tenancies as at 30 June 2004. There can be no assurance, however, that the market value of the Portfolio will continue to be equal to or exceed such valuation. As the market value of the Portfolio fluctuates, there is no assurance that this market value will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Loan and therefore such amounts due under the Notes. If some or all of the Properties are sold following a default under the Credit Agreement, there can be no assurance that the net proceeds of such sale would be sufficient to pay in full all amounts due under the Loan and therefore such amounts due under the Notes.

Insurance

The Credit Agreement provides that the Facility Agent is named as co-insured under the insurance policies maintained by the Borrower 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 Borrower to make payments in respect of the Loan, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes. Under the terms of the Credit Agreement, the Borrower is required to maintain the Insurance Policies with an insurance company or underwriter having a long term credit rating of at least A (or better) by Fitch or A2 (or better) by Moody's or A (or better) by S&P.

Under the terms of the Credit Agreement, the Borrower must apply all monies received under any Insurance Policy (other than loss of rent or third party liability insurance) towards replacing, restoring or reinstating the relevant Property to which the claim relates. In addition, except where restricted by the terms of the relevant insurance policy or Occupational Lease, the proceeds of any Insurance Policy (other than loss of rent or third party liability insurance) may be used, at the option of the Borrower, to repay the Loan.

Uninsured losses

The Credit Agreement also contains provisions requiring the Borrower to carry or procure the carrying of insurance with respect to the Properties in accordance with specified terms (as to which, see further “*Credit Structure – The Credit Agreement – Undertakings*” below). There are, however, certain types of losses (such as losses resulting from war, terrorism (which, within certain limits, is currently covered by the existing insurances), nuclear radiation, radioactive contamination and heave or settling of structures) which may be or become either uninsurable or not insurable at economically viable rates or which for other reasons are not covered, or required to be covered, by the required Insurance Policies. The Borrower's ability to repay the Loan (and, consequently, the Issuer's ability to make payments on the Notes) might be affected adversely if such an uninsured or uninsurable loss were to occur, to the

extent that such loss is not the responsibility of the occupational tenants pursuant to the terms of their occupational leases.

Planning matters

The directors of the Borrower have confirmed for the purposes of each Certificate of Title that the relevant Properties have been constructed in accordance with all relevant planning legislation and, as far as they are aware, there are no material breaches of planning control existing on the Properties. In this regard, it should be noted that where occupational tenants are in breach of planning obligations or conditions, they would be required under the terms of their occupational lease to take responsibility for such breach. Failure to comply with planning obligations or conditions could give rise to planning enforcement or other compliance action by the local planning authority. Breaches of highways agreements could result in enforcement action by the Highways Authority including the stopping up of access to the Properties.

Environmental matters

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” would include anyone with a proprietary interest in a property. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all or part of the remediation costs incurred.

If any environmental liability were to exist in respect of any of the Properties, neither the Issuer nor the Facility Agent (in its capacity as Borrower Security Trustee or PT Security Trustee) should incur responsibility for such liability prior to enforcement of the Loan 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 Facility Agent, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Facility Agent, could become responsible for environmental liabilities in respect of a relevant Property. The Facility Agent is indemnified by the Obligors against any such liability under the terms of the Credit Agreement and amounts due in respect of any such indemnity will be payable in priority to payments to the relevant Lenders (including the Issuer).

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 site for damages and costs resulting from substances emanating from that site, and the presence of substances on that Property could result in personal injury or similar claims by private claimants.

Compulsory purchase

Any Property in England and Wales 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 Borrower's, the Property Trustees' and the tenants' 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 tenants would cease to be obliged to make any further rental payments under the relevant Occupational Lease (or rental payments would be reduced to reflect the compulsory purchase of a part of that Property, if applicable). Following payment of compensation to the Property Trustees, the Borrower may (if, in the opinion of the Majority Lenders, the compulsory purchase has or will have a Material Adverse Effect) be required to prepay an equivalent amount under the Credit 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 leasehold estate of a Property may be less than the original value ascribed to such Property.

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 Borrower has other funds available to it, give rise to a Loan Event of Default.

Frustration

In exceptional circumstances, a tenancy could be frustrated under English law, with the result that the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party to the agreement, so that it would be inequitable for such an agreement or agreements to continue. If a tenancy granted in respect of any part of a Property 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 Borrower to have insufficient funds to make payments in full in respect of the Credit Agreement, which could lead to a default thereunder.

Mortgage in possession liability

The Issuer, the Borrower Security Trustee or the PT Security Trustee may be deemed to be a mortgagee in possession if there is physical possession of a Property or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to tenants requiring them to pay rents to the Borrower Security Trustee, the PT Security Trustee or the Issuer (as the case may be). In a case where it is necessary to initiate enforcement procedures against the Borrower or the Property Trustees, the Borrower Security Trustee or the PT Security Trustee, as appropriate, is likely to appoint a receiver to collect the rental income on its behalf or that of the Issuer, which should have the effect of reducing the risk that they would be deemed to be mortgagees in possession.

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

Risks relating to conflicts of interest

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Loan. The Properties securing any such loans may be in the same market as the Properties. Consequently, personnel of the Servicer or the Special Servicer, as the case may be, may perform services on behalf of the Issuer with respect to the Loan at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on each of the Servicer and the Special Servicer to perform their respective 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 Servicer or the Special Servicer.

The Servicing Agreement will require the Servicer and the Special Servicer to service the Loan in accordance with the Servicing Standard. Certain discretions are given to the Servicer and the Special Servicer in determining how and in what manner to proceed in relation to the Loan. Furthermore, as the Servicer and the Special Servicer may each acquire Notes, either of them could, at any time, hold any or all of the most junior Class of Notes outstanding from time to time. As holder of that Class of Notes, the Servicer or the Special Servicer (as applicable) may have interests which conflict with the interests of the holders of the more senior Classes of Notes from time to time. However, the Servicer and the Special Servicer will be required under the Servicing Agreement to act in the best interests of all of the Noteholders.

Furthermore, the Initial Property Adviser, the Initial Investment Adviser, the Initial Operator and the managing agents (if any) may own or manage additional properties, including properties that compete with the Properties in the Portfolio and, as such, may experience conflicts of interest in the management of the Properties from time to time.

Each of The Royal Bank of Scotland plc (**RBS**) and Eurohypo AG (**Eurohypo**) currently and may, at any time in the future, act (separately, or together, with or without other parties and directly or via affiliates) as financiers under additional credit facilities made available to the Borrower. Their interests as financiers in these circumstances may differ from the interests of Noteholders, and neither RBS nor

Eurohypo will be limited in the way that it exercises its rights under or in respect of those facilities. For so long as Eurohypo is the Servicer or the Special Servicer, however, it will be required to act in accordance with the terms of the Servicing Agreement and to comply with the Servicing Standard notwithstanding any other such roles. Similarly, for so long as RBS is the Liquidity Bank and the Account Bank, it will be required to act in accordance with the terms of the Liquidity Facility Agreement and the Bank Account Agreement notwithstanding any other such roles.

Appointment of substitute Servicer

Prior to or contemporaneously with any termination of the appointment of the Servicer, it would first be necessary for the Issuer to appoint a substitute Servicer approved by the Issuer Security Trustee. The ability of any substitute Servicer to administer the Loan successfully would depend on the information and records then available to it. There is no guarantee that a substitute Servicer could be found who would be willing to administer the Loan at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though the Servicing Agreement will provide for the fees payable to a substitute Servicer to be consistent with those payable generally at that time for the provision of commercial mortgage administration services). The fees and expenses of a substitute Servicer would be payable in priority to payments due under the Notes.

D. General Considerations

Reliance on warranties

Except as described under “*The Loan and the Loan Security – Legal Due Diligence*”, neither the Issuer nor the Issuer Security Trustee has undertaken or will undertake any investigations, searches or other actions in relation to the Loan and each will, instead, rely solely on the warranties to be given by the Initial Lenders in respect of such matters in the Loan Sale Agreement (see further “*Transaction Documents – The Loan Sale Agreement*”).

In the event of a Material Breach of Warranty (as defined under “*Transaction Documents – The Loan Sale Agreement*” below) which has not been remedied or is not capable of remedy, the sole remedy of each of the Issuer and the Issuer Security Trustee against the Initial Lenders is a right of indemnity (on a several basis between the Initial Lenders) on demand against all losses, claims, demands, taxes and all other expenses or other liabilities incurred by the Issuer as a result of such Material Breach of Warranty.

The liability of each Initial Lender under the indemnity will be limited to fifty per cent. of the principal balance of the Loan as at the date on which that Initial Lender would be obliged to make such an indemnity payment. In respect of certain of the Loan Warranties, each Initial Lender will give the relevant warranty with respect to itself and/or its knowledge alone. Therefore, a situation could arise where there is a breach of Loan Warranty by one Initial Lender only. In these circumstances, the non-breaching Initial Lender will have no liability to the Issuer for the relevant breach by the other Initial Lender.

In no circumstances will the Initial Lenders be obliged to repurchase all or part of the Loan, though they will have an option to repurchase on terms acceptable to the Issuer Security Trustee. See further “*Transaction Documents – The Loan Sale Agreement*”.

Consents to variations of the Transaction Documents, the Finance Documents and other matters

In relation to certain matters, including any variation of the terms of the Finance Documents and the Transaction Documents, the consent of the Facility Agent or the Issuer Security Trustee (as appropriate) will be required. The Facility Agent or the Issuer Security Trustee (as appropriate) will be obliged to give such consent if certain conditions are met, such as receipt of written confirmation from the Rating Agencies that the Notes will not be downgraded below their then current ratings.

Where a particular matter (including the determination of material prejudice by the Facility Agent and changes to certain of the operational covenants) 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. Any such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time. A confirmation of ratings represents only a restatement of the ratings given at the Closing Date and should not be construed as advice for the benefit of any parties to the transaction. No assurance can be given that a requirement to seek a ratings confirmation will not have a subsequent impact upon the business of the Borrower.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom will become a participating Member State in Economic and Monetary Union and that therefore the euro will become the lawful currency of the United Kingdom. If so, (a) all amounts payable in respect of the Notes may become payable in euro, (b) 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 rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed and (c) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and to take additional measures in respect of the Notes.

If the euro becomes the lawful currency of the United Kingdom and the Notes are outstanding at the time, the Issuer intends to make payments on the Notes in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrower's ability to repay the Loan, although the Borrower is required to maintain certain hedging cover in respect of its obligations under the Credit Agreement.

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Implementation of Basel II risk-weighted asset framework

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The third consultative paper on the New Basel Capital Accord was issued on 29 April 2003, with the consultation period ending on 31 July 2003. The committee announced on 11 May 2004 that it had achieved consensus on the remaining issues and published the text of the new Framework on 26 June 2004 under the title Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework (the **Framework**). This Framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new Framework. The committee confirmed that it is currently intended that the various approaches under the Framework will be implemented in stages, some from year-end 2006; the most advanced at year-end 2007. If implemented in accordance with its current form, the Framework could affect risk-weighting of the Notes in respect of certain investors if those investors are subject to the new Framework following its implementation. Consequently, investors should consult their own advisers as to the consequences for them of the proposed implementation of the new Framework. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

Enterprise Act 2002

The corporate insolvency provisions of the Enterprise Act 2002, which amend certain provisions of the Insolvency Act, 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 an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge 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 charge-holder.

The Insolvency Act contains provisions which 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 right to appoint an administrative receiver is retained for certain types of security (such as the Issuer Security and the floating security granted by Holdco, Subco and the

Property Trustees under the PT Deed of Charge) which form part of a capital market arrangement (as defined in the Insolvency Act) involving indebtedness of at least £50,000,000 (or where the relevant security document was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and the issue of a capital market investment (also defined but generally a rated, listed or traded bond).

The Issuer is of the view that the floating charge granted by it under the Issuer Deed of Charge and the floating charges granted under the PT Deed of Charge will fall within the “capital market exception” under section 72B of the Insolvency Act. It should, however, be noted that the 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 document, will not be detrimental to the interests of the Noteholders.

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating charge-holder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge-holder does not respond to the directors’ or company’s notice of intention to appoint, the directors’ or, as the case may be, the company’s appointee will automatically take office after the notice period has elapsed. 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.

The new provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. No assurance can be given that the primary purposes of the new provisions will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a “prescribed part” of the company’s “net property” available for the satisfaction of unsecured debts in priority to the claims of the floating charge-holder. The company’s “net property” is defined as the amount of the company’s property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The “prescribed part” is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, up to a maximum of £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of section 176A should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits. Floating charge realisations upon the enforcement of the Issuer Security may be reduced by the operation of these “ring fencing” provisions.

Insolvency Act 2000

Under the Insolvency Act 2000, certain companies (**small companies**) are entitled to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. A small company is defined as one which satisfies two or more of the following criteria:

- (a) its turnover is not more than £5.6 million;
- (b) its balance sheet total is not more than £2.8 million; and
- (c) the number of employees is not more than 50.

The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for small companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders.

However, secondary legislation has been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in that secondary legislation) under which a party has incurred, or when the agreement was entered into was expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (ii) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million.

The Issuer is of the view that it should fall within the exceptions (as would each of Holdco, Subco and the Property Trustees). There is no guidance, however, as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. Accordingly, no assurance may be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders.

If the Issuer (or any of the relevant Obligors) was determined to be a “small” company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the security for the Notes or the Loan, respectively, may, for a period, be prohibited by the imposition of a moratorium.

Change of law

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

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Offering Circular may mitigate some of these risks for Noteholders, there can be no assurance that these elements 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

Epic Opera (Arlington) plc (the **Issuer**) was incorporated in England and Wales on 27 August 2004 (registered number 5216645) as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at Blackwell House, Guildhall Yard, London EC2V 5AE. The Issuer has no subsidiaries.

1. Principal Activities

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are, *inter alia*, to lend money and give credit, secured and unsecured, to borrow or raise money and secure the payment of money and to grant security over its property for the performance of its obligations or the payment of money. The Issuer was established for the limited purposes of issuing the Notes, acquiring the Loan and certain related transactions described elsewhere in this Offering Circular.

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

The activities of the Issuer will be restricted by the Conditions and will be limited to the issue of the Notes, the acquisition of the Loan, the exercise of related rights and powers and the other activities described in this document. See further **Condition 4.1** (Restrictions).

2. Directors and Secretary

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

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

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

3. Capitalisation and Indebtedness

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

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid-up £	Shares Quarter Paid-up £	Paid-up Share Capital £
50,000	50,000	1	0	50,000	12,500.00

49,999 of the issued shares (being 49,999 shares of £1 each, each of which is paid-up as to 25p) in the Issuer are held by the Share Trustee under the terms of a trust for the benefit of charitable institutions. The one remaining share in the Issuer, which is also paid-up as to 25p, is held by SFM Nominees Limited (registered number 4115230) under the terms of a trust as nominee for the Share Trustee.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due October 2013	£182,500,000
Class B Commercial Mortgage Backed Floating Rate Notes due October 2013	£30,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due October 2013	£30,000,000
Class D Commercial Mortgage Backed Floating Rate Notes due October 2013	£27,500,000
Class E Commercial Mortgage Backed Floating Rate Notes due October 2013	£30,000,000
Total Loan Capital	£300,000,000

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

4. Accountants' Report

The following is the text of a report, extracted without material adjustment, received by the Issuer from KPMG Audit Plc who have been appointed as auditors and reporting accountants to the Issuer. KPMG Audit Plc is a chartered accountancy practice and the registered auditor of the Issuer. The balance sheet contained in the report does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since the Issuer's incorporation. The Issuer's accounting reference date is 31 December and the first statutory accounts will be drawn up to 31 December 2005.

Epic Opera (Arlington) plc
Blackwell House
Guildhall Yard
London EC2V 5AE

19 October 2004

Dear Sirs

Epic Opera (Arlington) plc (the Company): £182,500,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013, £30,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013, £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013, £27,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2013 and £30,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2013

We report on the financial information set out in **paragraphs 1 to 2**. This financial information has been prepared for inclusion in the offering circular dated 19 October 2004 (the **Offering Circular**) of the Company.

Basis of Preparation

The financial information set out in **paragraphs 1 to 2** is based on the financial statements of the Company from incorporation to 19 October 2004 prepared on the basis described in note 2.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Company.

The Company is responsible for the contents of the Offering Circular in which this report is included. It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company at 19 October 2004.

Yours faithfully

KPMG Audit Plc

1. Balance Sheet as at 19 October 2004

	£
<i>Current assets</i>	
Cash at bank and in hand	12,500.00
<i>Capital and reserves</i>	
Called up equity share capital	
50,000 shares 25 per cent. paid	12,500.00

2. Notes

2.1 Accounting Policies

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

2.2 Trading Activity

The Company was incorporated on 27 August 2004. The Company has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.3 Share Capital

The Company was incorporated and registered as a public limited company on 27 August 2004, with the name of Epic Opera (Arlington) plc.

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

On 1 September 2004, one ordinary share was issued by the Company to SFM Nominees Limited and one quarter paid-up for a total cash consideration of £0.25.

On 1 September 2004, one ordinary share was issued by the Company to SFM Corporate Services Limited and one quarter paid-up for a total cash consideration of £0.25.

On 1 September 2004, 49,998 ordinary shares were issued by the Company to SFM Corporate Services Limited and one quarter paid-up for a total cash consideration of £12,499.50.

2.4 Auditors

KPMG Audit Plc was appointed as auditor on 1 September 2004.

THE BORROWER

Arlington Business Parks Partnership (the **Borrower**) is a limited partnership established and registered (registration number LP 8624) under the Limited Partnerships Act 1907, as amended (the **Partnerships Act**), and its affairs are governed by a limited partnership agreement dated 3 April 2003 as amended and restated on 27 June 2003, 9 June 2004 and 8 October 2004 (the **Partnership Agreement**) between, *inter alios*, the General Partner and the Limited Partners.

The principal place of business of the Borrower is at the registered office of the General Partner or such other place as the General Partner may from time to time determine and register under the Partnerships Act. The General Partner and the Limited Partners are, together, referred to as the **Partners**.

Pursuant to the Partnership Agreement, the General Partner is the general partner and the Limited Partners are the limited partners of the Borrower. The General Partner conducts the day-to-day management of the business of the Borrower and the Limited Partners do not take part in managing the business of the Borrower. The Borrower has no legal personality of its own and all of the assets of the Borrower (the **Partnership Assets**) are the undivided joint property of the Partners. The Limited Partners have a 99.997 per cent. interest in the Partnership Assets and the General Partner has a 0.003 per cent. interest in the Partnership Assets. In so far as costs, expenses, receipts and liabilities to taxation of the Borrower are concerned, the Limited Partners will each be liable to the extent of its own share in such costs, expenses, receipts and liabilities to taxation.

Legal title to all of the Partnership Assets (other than the Trust Property) shall (unless agreed by the General Partner) be vested in the General Partner, and the General Partner shall hold the Partnership Assets (other than the Trust Property) on behalf of the Borrower in accordance with the Partnership Agreement. The Borrower has and will have assets and liabilities other than those the subject of the transaction described in this Offering Circular.

1. Principal activities

The principal objects of the Borrower are set out in Clause 2 (Establishment and Investment Objectives) of the Partnership Agreement and are, *inter alia*, to carry on the business of acquiring investments, holding and disposing of the Properties and the raising of monies and securing such borrowings.

Since 2 April 2003, the date of its establishment, the Borrower has engaged in activities or operations relating to the acquisition, financing, management, maintenance, extension, refurbishment, development, letting, disposal and operation of land and investment properties. In connection with the transactions described in this Offering Circular, the Borrower has entered into the Credit Agreement and the documents referred to therein and created security all as more particularly described in this Offering Circular.

The only other activities in which the Borrower has engaged are those incidental to its incorporation and registration, the matters referred to or contemplated in this Offering Circular and the authorisation, execution, delivery and performance of the other documents referred to in this Offering Circular to which it is a party and matters which are incidental or ancillary to the foregoing. The Borrower has, pursuant to the terms of the Credit Agreement, covenanted to observe certain restrictions on its activities which are detailed in “*The Loan and the Loan Security - Credit Agreement*” below.

2. Capitalisation and indebtedness statement

The following table sets forth the capitalisation and indebtedness of the Borrower as at 31 December 2003, which has been extracted without material adjustment from the audited financial statements of the Borrower as at 31 December 2003 and the capitalisation and indebtedness of the Borrower on an adjusted basis after giving effect to the repayment of existing secured loans and the drawdown in full of £300,000,000 under the Credit Agreement and of £180,000,000 under a £250,000,000 bank facility also dated as at the date of the Credit Agreement:

	As at 31 December 2003	
	Actual (£m)	Adjusted⁽¹⁾ (£m)
Borrowings due within 1 year.....	13.1	10.1
Borrowings due between 1 and 2 years.....	3.6	0.0
Borrowings due between 2 and 5 years.....	445.5	180.0
Borrowings due after 5 years.....	–	300.0
<i>Total Indebtedness</i>	<u>462.2</u>	<u>490.1</u>
Capital Contributions.....	3.3	3.3
Partners' Loans	327.1	327.1
Partnership Premium.....	9.6	9.6
Revaluation Reserve.....	0.1	0.1
Current account.....	2.0	2.0
<i>Total Partners' Funds</i>	<u>342.1</u>	<u>342.1</u>
Total Capitalisation and Indebtedness	<u>804.3</u>	<u>832.2</u>

(1) The adjusted financial information sets out the capitalisation and indebtedness of the Borrower as if the transaction had taken place on 31 December 2003. The adjusted financial position is shown gross of arrangement fees.

3. Financial Position

The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement. As a limited partnership registered under the Limited Partnerships Act 1907, the Borrower is not obliged to, and does not produce, statutory accounts in accordance with the terms of any relevant legislation, including (without limitation) the Companies Act 1985 nor in accordance with generally accepted accounting principles in the United Kingdom or elsewhere. For further information in relation to the Borrower's financial statements, please see paragraph 9 of the "General Information" section of this Offering Circular on page 130.

Contingent liabilities

The Borrower has, in the ordinary course of business, given the following guarantees and indemnities:

	As at 31 December 2003 £ million	As at 30 September 2004 £ million
Section 278 Agreements.....	3.0	0.1
Section 106 Agreements.....	13.7	15.1
Section 38 Agreements.....	2.1	6.0
Other bonds and indemnities.....	0.7	0.7
Total	<u>19.5</u>	<u>21.9</u>

The nature of these guarantees and indemnities is as follows:

- (a) Section 278 Agreements relate to highways and infrastructure works on the Borrower's various parks;
- (b) Section 106 Agreements relate to potential future financial obligations agreed in obtaining the necessary planning consents on the Borrower's various parks; and
- (c) Section 38 Agreements relate to drainage works on the Borrower's various parks.

Recent developments since 31 December 2003

Fixed Assets increased from £787.4m as at 31 December 2003 to £865.9m as at 30 September 2004 due in part to a combination of a property acquisition (£9.9m), continued development of land and infrastructure on five business parks (increase of £42m), three property disposals (£27.1m), an UITF

adjustment (£5.6m), an increase of the valuation of the land and WIP (£15.5m) and an increase of the valuation of the aggregate investment property portfolio (£33.4m).

Current liabilities have been reduced by £3.9m from £36.5m as at 31 December 2003 to £32.6m as at 30 September 2004 due principally to a reduction in the interest accrual following refinancing.

Long term liabilities increased by £30.9m from £449.1m as at 31 December 2003 to £480m as at 30 September 2004 due to a combination of funding the acquisition of one property and continued funding of development on five business parks. The existing secured debt was refinanced on the Drawdown Date with the two new facilities of £300m and £250m (the former fully drawn and the latter partially drawn).

For the nine month period starting 2 April 2003 (the date of establishment of the Borrower) to 31 December 2003, the profit attributable to partners before distributions was negative £15.7m as a result of interest expense and operating costs exceeding rental income, as more fully described in Appendix A, Note 12. Operating costs were £18.9m and included a £9.6m implementation charge, as more fully described in Appendix A, Note 2 and Note 12. Rental income of £26.1m did not include rent for the period from 2 April 2003 to 30 June 2003 (£8.3m) as it was recorded in the Borrower's legacy company, Arlington Securities Limited.

Rental income for the nine month period starting 1 January 2004 to 30 September 2004 increased to £37.8m, reflecting rent collection for the full period and a higher UITF 28 gain. Operating costs for the period were £11.0m. Profit attributable to partners before distributions was £4m for the period.

Post 30 September 2004 Balance Sheet Event

On 8 October 2004 an investment property from the portfolio securing the £250m loan was sold for £1.9m.

Save as disclosed in this Offering Circular:

- (a) the Borrower has no loan capital, borrowings, indebtedness or contingent liabilities outstanding and has not created any mortgage or charge or given any guarantee;
- (b) the Borrower is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) which may have, or have had, since 31 December 2003, a significant effect on the Borrower's financial position; and
- (c) since 31 December 2003 there has been (a) no material adverse change in the financial position or prospects of the Borrower, and (b) no significant change in the trading or financial position of the Borrower.

THE GENERAL PARTNER

Arlington Business Parks GP Limited (the **General Partner**) was incorporated in England and Wales on 13 June 2001 (registered number 4233559) as a private company with limited liability under the Companies Act 1985. The registered office of the General Partner is at Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. The General Partner is owned as to 0.1 per cent. of its issued share capital by Legal & General Property Limited and as to 99.9 per cent. of its issued share capital by Arlington Property Services Limited.

1. Principal Activities

The principal objects of the General Partner are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to act as a general partner of limited partnerships; to act as a holding company; to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Since the date of its incorporation, the General Partner has engaged in activities or operations relating to its role as general partner of the Borrower. In connection with the transactions described in this Offering Circular, the General Partner has entered into the documents referred to therein and created security all as more particularly described in this Offering Circular.

The only other activities in which the General Partner has engaged are those incidental to its incorporation and registration, the matters referred to or contemplated in this Offering Circular and the authorisation, execution, delivery and performance of the other documents referred to in this section “*The General Partner*” to which it is a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
Mark Peter Creedy	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Patrick Deigman	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director

The secretary of the General Partner is David Mark Johnson Duffield. The General Partner has no employees.

HOLDCO

Augusta 1 Limited (**Holdco**), was incorporated in England and Wales on 27 July 2004 (registered number 5190536) as a private company with limited liability under the Companies Act 1985. The registered office of Holdco is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Holdco is wholly-owned by the General Partner.

1. Principal Activities

The principal objects of Holdco are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to act as a holding company and to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Holdco has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

The directors of Holdco and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Beth Salena Chater	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Patrick Deigman	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director

The secretary of Holdco is Jonathan David Read. Holdco has no employees.

SUBCO

Augusta 2 Limited (**Subco**) was incorporated in England and Wales on 27 July 2004 (registered number 5190538) as a private company with limited liability under the Companies Act 1985. The registered office of Subco is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Subco is wholly-owned by Holdco.

1. Principal Activities

The principal objects of Subco are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to act as a holding company and to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Subco has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

The directors of Subco and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Beth Salena Chater	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Patrick Deigman	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director

The secretary of Subco is Jonathan David Read. Subco has no employees.

PROPERTY TRUSTEE 1

ABPGP S1 Limited (**Property Trustee 1**) was incorporated in England and Wales on 27 July 2004 (registered number 5190581) as a private company with limited liability under the Companies Act 1985. The registered office of Property Trustee 1 is Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Property Trustee 1 is wholly-owned by Subco.

1. Principal Activities

The principal objects of Property Trustee 1 are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Property Trustee 1 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

The directors of Property Trustee 1 and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Beth Salena Chater	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Patrick Deigman	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director

The secretary of Property Trustee 1 is Jonathan David Read. Property Trustee 1 has no employees.

PROPERTY TRUSTEE 2

ABPGP S2 Limited (**Property Trustee 2**) was incorporated in England and Wales on 27 July 2004 (registered number 5190540) as a private company with limited liability under the Companies Act 1985. The registered office of Property Trustee 2 is at Arlington House, Arlington Business Park, Theale, Reading, Berkshire RG7 4SA. Property Trustee 2 is wholly-owned by Subco.

1. Principal Activities

The principal objects of Property Trustee 2 are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property; to carry on the business of an investment holding company; to issue securities, financial instruments and derivative contracts; to raise or borrow money and to grant security over its assets for such purposes; and to lend money with or without security.

Property Trustee 2 has not engaged, since its incorporation, in any activity other than those incidental to its incorporation, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

The directors of Property Trustee 2 and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Beth Salena Chater	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Patrick Deigman	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
David Mark Johnson Duffield	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director
Jeffrey Mark Pulsford	Arlington House Arlington Business Park Theale Reading Berkshire RG7 4SA	Company Director

The secretary of Property Trustee 2 is Jonathan David Read. Property Trustee 2 has no employees.

DESCRIPTION OF THE PORTFOLIO

The Portfolio comprises 25 Properties located in six business parks in the South East of England and Birmingham. The Portfolio has a total net internal floor area of 1,405,537 square feet. There are 32 leases in place and current contracted rent is £28,791,400 per annum.

In the Initial Valuation, Knight Frank LLP valued the Portfolio at £401,940,000 on a net rent of £28,808,828³ and an estimated rental value ('ERV') of £28,709,748 per annum.

Set out below are certain summaries of the Portfolio and historical operating results for the Properties.

Portfolio Summary

Park	Valuation (£)	Contracted Rent (£ pa)	ERV (£ pa)	Net Internal Floor Area (sq ft)
Birmingham	56,050,000	3,987,308	3,987,308	201,850
Hatfield	134,200,000	9,479,650	9,122,650	471,273
Oxford.....	52,175,000	3,422,829	3,698,187	190,408
Reading	78,085,000	5,853,850	5,836,853	224,661
Solent, Southampton.....	54,030,000	3,938,093	4,083,750	230,586
Uxbridge.....	27,400,000	2,109,670	1,981,000	86,759
Total.....	401,940,000	28,791,400	28,709,748	1,405,537

Source: Initial Valuation, Borrower

The majority of properties in the Portfolio were completed within the last five years. Five were built within the last eight years. One was completed in 1991/92 and refurbished in 2002 when the Borrower acquired it.

Rent Summary

The contracted rent on the Portfolio is £28,791,400 per annum for the tenancies as at 30 June 2004. In the case of two leases, there is an unexpired rent free period. The rent free periods have been taken into account in the Initial Valuation.

Property	Tenant	Contracted Rent (£ pa)	Lease Start Date	Expiry of Rent Free Period
Birmingham 4020	Softlab Ltd	311,080	22/10/2003	17/12/2004
Solent Buildings 1-3	NATS (En Route) PLC	2,226,343	10/11/2003	09/01/2005 to 06/02/2005

Source: Initial Valuation, Borrower

All the Properties within the Portfolio are fully let with the exception of two floors in two Properties⁴. This vacant space represents 1.5 per cent. of the Portfolio's total net lettable area and 1.8 per cent. of the Portfolio's ERV.

Property	Area (sq ft)	Lettable area: Share of Property area	ERV: Share of Property ERV	Lettable area: Share of Portfolio area	ERV: Share of Portfolio ERV
Oxford, Gemini 1	11,728	32.5%	32.6%	0.8%	0.9%
Reading 1220	9,803	32.3%	31.7%	0.7%	0.9%
Total.....	21,531			1.5%	1.8%

Source: Initial Valuation, Borrower

³ Knight Frank LLP assumed that outstanding rent reviews are settled at ERV at the outstanding rent review date.

⁴ According to the Borrower, the current annualised non-recoverable costs related to this vacant space totals £202,830 per annum.

Lease Summary

There are 32 leases in place. All leases are effectively FRI Leases, except that the government self-insures its two leases at Oxford.

No leases expire during the term of the Loan. The remaining term on leases ranges from 9.7 to 23 years. The weighted average term to lease expiry is 16.1 years from the Drawdown Date (2 September 2004).

The weighted average remaining lease term to the earlier of first break or expiry is 14.7 years from the Drawdown Date. The remaining lease term to first break ranges from 7 to 19 years.

Approximately 66 per cent. of space is let on leases with an unexpired term of 15 years or longer and these leases generate approximately 65 per cent. of the Portfolio's total rental income. Leases with unexpired terms of between 10 and 15 years' length account for 29 per cent. of space and 31 per cent. of contracted rental income. Only 3 per cent. of the Portfolio's net lettable area is held on leases with unexpired terms of less than 10 years and these account for 4 per cent. of the Portfolio's contracted rental income. Only 1.5 per cent. of the Portfolio (by area) is currently vacant.

Tenant break summary

Years	Lease break not exercised		Lease break exercised		Lease break not exercised		Lease break exercised	
	Weighted by		Weighted by		Weighted by		Weighted by	
	Contracted Rent (£ pa)	Space (sq ft)	Contracted Rent (£ pa)	Space (sq ft)	Contracted Rent (%)	Space (%)	Contracted Rent (%)	Space (%)
Vacant	–	21,531	–	21,531	–	1.5	–	1.5
0-10	1,171,519	44,670	4,798,587	232,840	4.1	3.2	16.7	16.6
10-15	8,917,998	413,008	9,638,370	435,581	31.0	29.4	33.5	31.0
15-20	17,468,821	863,736	14,354,443	715,585	60.6	61.4	49.8	50.9
20-25	1,233,062	62,592	–	–	4.3	4.5	–	–
Total.....	28,791,400	1,405,537	28,791,400	1,405,537	100.0	100.0	100.0	100.0

Source: Analysis based on Initial Valuation and Borrower

Let space per lease ranges from 10,275 sq ft to 162,450 sq ft. The average space per lease is just over 43,000 sq ft. Approximately 72 per cent. of leases by number (and approximately 48 per cent. by contracted rent) are for up to 50,000 sq ft.

Concentration of lease size

Square feet	Number of leases	Weighted by contracted rent	Weighted by space
Vacant	–	0.0%	1.5%
0 – 20,000 sq ft	7	8.1%	7.4%
20,000 – 40,000 sq ft	12	27.3%	25.7%
40,000 – 60,000 sq ft	6	20.0%	21.2%
60,000 – 80,000 sq ft	3	14.3%	15.0%
80,000 – 100,000 sq ft	3	18.2%	17.6%
100,000+ sq ft	1	12.0%	11.6%
Total.....	32	100.0%*	100.0%

*After rounding

Source: Analysis based on Initial Valuation and Borrower

Tenants

Tenant Industry Analysis

Telecommunications tenants constitute the largest industry grouping with approximately 45 per cent. of the net lettable area of the Portfolio and accounting for approximately 46 per cent. of its total contracted rental income. These tenants include major mobile operators T-Mobile (UK) Ltd (lease guarantee by T-Mobile International AG, a wholly owned subsidiary of Deutsche Telekom AG), Orange

Personal Communications Services Ltd (lease guarantee by Orange plc), Vodafone Ltd and Hutchinson 3G UK Limited.

Government-related tenants – First Secretary of State, Secretary of State for Health and NATS (En Route) PLC which is 48.9 per cent. owned by the UK government – occupy approximately 18 per cent. of the Portfolio's net lettable area and generate 16 per cent. of the total contracted rental income.

Tenant Industry	Share of Contracted Rent	Let Area (sq ft)	Share of Total Area
Telecom	46.4%	637,160	45.3%
Government-related.....	16.0%	254,253	18.1%
Pharmaceutical/Services	7.3%	86,759	6.2%
IT.....	7.3%	78,450	5.6%
Insurance	5.9%	99,972	7.1%
Publishing	4.3%	62,592	4.5%
Other.....	12.8%	164,820	11.7%
Total.....	100.0%	1,384,006	98.5%

Source: Analysis based on Initial Valuation and Borrower

Tenant Analysis

T-Mobile (UK) Ltd represents the single largest tenant in the Portfolio, with approximately 34 per cent. of the net lettable area and accounting for approximately 33 per cent. of the total contracted rental income. T-Mobile (UK) Ltd has five leases in place with an average unexpired term of approximately 18 years and no break options. There is a lease guarantee by the parent company, T-Mobile International AG, itself a fully owned subsidiary of Deutsche Telekom AG.

NATS (En Route) PLC is the next largest tenant in terms of occupied space with approximately 9 per cent. of the Portfolio's net lettable area at Solent 4000 Buildings 1-3. This letting represents approximately 8 per cent. of total contracted rental income. NATS, or National Air Traffic Service, is owned 48.9 per cent. by the UK Government, 4.2 per cent. by BAA, 5 per cent. by NATS employees and the remainder (41.9 per cent.) by a consortium of UK airlines: British Airways, BMI, Virgin Atlantic, easyJet, Monarch Airlines, Britannia Airways and MyTravel.

Tenant	Contracted Rent (£ pa)	Share of Contracted Rent	Net lettable area (sq ft)	Share of total area
T-Mobile (UK) Ltd (guarantee by T-Mobile International AG).....	9,479,650	32.9%	471,273	33.5%
UK Government.....	2,393,680	8.3%	123,639	8.8%
NATS (En Route) PLC	2,226,343	7.7%	130,614	9.3%
Parexel International Ltd	2,109,670	7.3%	86,759	6.2%
Vodafone Ltd.....	1,972,880	6.9%	70,291	5.0%
Zurich Insurance Company	1,711,750	5.9%	99,972	7.1%
Baltimore Technologies Ltd ⁵	1,247,096	4.3%	44,145	3.1%
Blackwell Publishing Ltd	1,233,062	4.3%	62,592	4.5%
Orange Personal Communications Services Ltd (guarantee by Orange plc)	1,199,060	4.2%	59,953	4.3%
Other.....	5,218,209	18.2%	256,299	18.2%
Total.....	28,791,400	100.0%	1,405,537	100.0%

Source: Analysis based on Initial Valuation and Borrower

Valuations

Estimated Rental Value

The estimated rental value of the Portfolio is £28,709,748 per annum, according to the Initial Valuation.

⁵ Space is fully sublet.

Market Value

The market value of the Portfolio is £401,940,000, according to the Initial Valuation.

Environmental Reports and Building Condition

Environmental reports were prepared for all of the Properties by Stanger Science and Environment and are dated September 2001. They confirm that the environmental position is considered satisfactory for current uses. No material events have been reported since the date of these reports.

Knight Frank inspected the Properties for valuation purposes and noted no material items of disrepair. The economic liability for the repair of the buildings falls on the occupational tenants, who occupy under FRI Leases.

The Quays Uxbridge was acquired in 2002. This Property was completed in 1991/92. A building survey report was carried out by Strutt & Parker in February 2002 as part of the acquisition due diligence. The issues outlined in the report, including the requirement for a comprehensive overhaul of the air conditioning system have been addressed by the Borrower.

Initial Property Adviser, Initial Investment Adviser and Initial Operator

Each of the Initial Property Adviser, Initial Investment Adviser and Initial Operator is subject to a duty of care agreement between themselves and the Facility Agent.

Arlington Property Adviser Limited acts as Initial Property Adviser to the Partnership and in accordance with the Property Advisory Agreement advises on the Partnership's asset acquisition and disposal strategy, as well as the management, letting and maintenance of the Parks.

Legal & General Property Limited acts as Initial Investment Adviser to the Partnership and in accordance with the Investment Advisory Agreement advises on the Partnership's asset acquisition and disposal strategy.

Legal & General Investment Management acts as Initial Operator and undertakes activities in the Partnership which are regulated by the Financial Services and Markets Act 2000.

Location and description of the business parks

A. Birmingham Business Park

Location

Birmingham Business Park is located to the west of the M42 motorway between Junctions 6 and 7, midway between the two principal West Midland cities of Birmingham and Coventry, both of which are within 15 minutes drive time. The M42 motorway links with the M6 motorway to the north and the M40 motorway to the south, both of which provide access to Central London within two hours drive time. The M6 Toll, UK's first toll motorway, is a 43.2 kilometre (27 mile) motorway between Junctions 4A and 11 of the existing M6, bypassing the north eastern parts of Birmingham city, and is accessible via Junction 7A of the M42 motorway. Heathrow Airport can be reached within 90 minutes by car and Gatwick within two hours. Birmingham Business Park is located 0.8 kilometres (0.5 miles) north of the National Exhibition Centre (**NEC**) and Birmingham International Airport, which offers access to UK and European destinations on a regular basis. Euston Station in Central London, can also be reached within 90 minutes by train from Birmingham International with services every 30 minutes during peak times.

The site is also served by a number of bus routes providing access to the Birmingham city centre and outlying districts, as well as to Birmingham International Station and the NEC.

Description

The Park comprises some 60.3 hectares (149 acres) and is the largest business park in the West Midlands. Development of the Park commenced in 1988. The Birmingham Business Park has the potential to accommodate in excess of 185,804 sqm (2,000,000 sq ft) of offices and business accommodation.

There remains some 16.6 hectares (41 acres) of land, which can potentially be developed, in the Borrower's ownership. There are currently two buildings under construction (The Forum) on Plot 5500 with an estimated net internal area of 7,766 sqm (83,591 sq ft). These are scheduled for completion by the end of 2004.

On-site facilities within the Park include a sandwich bar, travel agent, wine bar and cash dispenser situated at the Waterside Centre and also separate hotel and public house facilities at the Holiday Inn Express Hotel and Little Owl Public House. More extensive retail facilities are situated immediately to the north of the Park at the Fort Shopping Park which comprises some 21 retail outlets and Solihull town centre which comprises various shopping centres including the Touchwood Centre and shopping precincts.

The Borrower understands that owners on the park currently include Abbey Life Assurance, Tameside Metropolitan Borough Council, Legal & General Assurance, Capco Trust, BBC Pension Trust, Seput Nominee 91 & 92, Clerical Medical Investment Group, The Council of the Borough of Wolverhampton, Stargas Nominees, Equitable Life Assurance, Barclays Property Trustees and Electricity Supply Nominees.

Major occupiers in the Birmingham Business Park include Orange, Softlab, IMI Group, Hutchison 3G, Fujitsu, Xansa, Secretary of State for the Environment, Talis Information, Hewlett Packard, Hitachi Data Systems, Severn Trent Systems, SEMA Group, Ingersoll-Rand, Wesleyan Assurance, DHL, Bull Information System and Beiersdorf.

The Birmingham Properties comprise 201,850 sq ft divided into five Properties and are let to five tenants. The term to lease expiry ranges from 12 to 18 years. Three leases have break options, the earliest in 7 years (1.1 per cent. Portfolio contracted rent).

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
Birmingham 2900	First Secretary of State	63,761	1,243,350	29/05/16	–
Birmingham 4020	Softlab Ltd ⁶	15,554	311,080	21/10/19	22/10/11
Birmingham 4040	IMI Kynoch Ltd	26,939	538,780	24/12/20	–
Birmingham 4060	Hutchison 3G UK Ltd	35,643	695,038	31/12/21	10/04/12
	Orange Personal Communications Services Ltd (guaranteed by Orange plc)				
Birmingham 4520		59,953	1,199,060	15/10/22	16/10/18
Total.....		201,850	3,987,308		

Source: Initial Valuation, Borrower

B. Hatfield Business Park

Location

Hatfield is located approximately 35 kilometres (22 miles) to the north of London with a resident population of approximately 30,000. The town has good transport links, being located on Junction 3 of the A1 which runs from London to the north. Junction 23 of the M25 is situated approximately 10 kilometres (six miles) to the south. There is a regular rail service to London (Kings Cross). Luton Airport is located approximately 16 kilometres (10 miles) to the South East.

Hatfield Business Park is situated approximately 600m (0.4 miles) north west of Hatfield Town Centre and extends to approximately 47 hectares (115 acres). Hatfield Business Park has three existing access points from Comet Way (two points from the southern car Park and the Main Gate) and can also be reached from the Hatfield Avenue and the Bishops Square development. Secondary access also exists from Coopers Green Lane, Green Lanes, Great Braitch Lane and St Albans Road.

⁶ Rent free period on the lease expires on 17 December 2004.

Description

The park is situated on a former aerodrome site of some 324 hectares (800 acres) including greenbelt land. The Master Plan, under an outline planning consent dated 29 September 2000, includes the following:

	Hectares	Acres
Business Park:.....	46.5	115
Residential:	26.1	65
University:	12.1	30
Hotels:	3.2	8
District Centre:	9.8	24
Other Listed Buildings:	1.6	4
Total.....	99.3	246

Source: Borrower

The original planning consent for the business park element comprised the following:

	Hectares	Acres	Square Feet
Offices	23.07	57	1,036,600
Industrial	8.09	20	348,075
Distribution	11.33	28	488,075
Other.....	4.05	10	182,500
Total.....	46.54	115	2,055,250

Source: Borrower

There remains potential for circa 65,030 sqm (700,000 sq ft) gross of B1 development within the Borrower's ownership.

Further office space, which is not part of the Portfolio, is provided in Bishops Square at the Hatfield Avenue entrance to the Park. Bishops Square comprises three buildings, Helios Court, Apollo Court and Titan Court, totalling 14,848 sqm (159,833 sq ft) and planning consent for a further 4,813 sqm (51,784 sq ft).

A site of 2.63 hectares (6.5 acres) gross has been sold to Next Generation Clubs Limited and is currently under development as a leisure and fitness centre. More extensive retail facilities are situated to the east of the A1001 at the Galleria Outlet Centre which comprises 60 outlet stores, six cafes and restaurants, and a nine-screen cinema.

The Borrower understands that other owners on the Park currently include Hermes, Clerical Medical, The io Group and Gulf Finance House.

The Hatfield Properties comprise buildings 1 to 6 on Plot 1000, totaling 471,273 sq ft. The space is fully let on five leases to T-Mobile (UK) Ltd (with a guarantee from T-Mobile International AG) on a total annual passing rent of £9,479,650. The leases expire in 2022 and there are no break options.

Hatfield is the UK head office of T-Mobile (UK) Ltd.

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
Hatfield T-Mobile Building 1	T-Mobile (UK) Limited	77,647	1,514,117	27/02/22	-
Hatfield T-Mobile Building 2	T-Mobile (UK) Limited	70,628	1,377,246	21/03/22	-
Hatfield T-Mobile Building 3+4	T-Mobile (UK) Limited	162,450	3,457,601	27/06/22	-
Hatfield T-Mobile Building 5	T-Mobile (UK) Limited	80,218	1,564,251	10/10/22	-
Hatfield T-Mobile Building 6	T-Mobile (UK) Limited	80,330	1,566,435	02/10/22	-
Total.....		471,273	9,479,650		

Source: Initial Valuation, Borrower

C. Oxford Business Park

Location

Oxford Business Park is located to the south of Oxford, adjacent to the Oxford Eastern Bypass (A4142) which links to the M40 (Junction 8) to the north east and the A34 to the west. The M40 provides direct access to the M25 and Central London to the South East and to the Midlands to the north. The A34 links with the M40 (Junction 9) to the north east of Oxford and to Newbury and Winchester to the south west. A frequent railway service connects Oxford with London Paddington.

Description

The park comprises some 42.49 hectares (105 acres), split between Oxford Business Park North and Oxford Business Park South. Garsington Road provides access to both parts of the park.

The range of tenant occupiers on the park is broad including professional services, charities, electronic companies, government departments and other regional occupiers.

There is potential for a future development of 40,412 sqm (435,000 sq.ft.) on the park.

On-site facilities within the park include a separate hotel, public house, nursery and leisure facilities. David Lloyd Health and Fitness Centre has recently been developed on the park. More extensive retail facilities are situated on Oxford Retail Park immediately to the south. A large Tesco superstore and petrol filling station are also located on the retail Park.

Major occupiers on the park include the Secretary of State for Health, The Department of Work & Pensions, HM Customs & Excise, Inland Revenue, BT, Blackwell Science, Royal Mail and Harley Davidson.

The Oxford Properties comprise 190,408 sq ft divided into five Properties and let to five tenants. The term to lease expiry ranges from 11 to 23 years. One lease has a break option in 14 years.

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
Gemini 1 (Oxford 5520)	Buildbase Limited Secretary of State for Health	24,307	522,450	14/07/18	–
Gemini 2 (Oxford 5510)	Health	26,153	557,914	14/05/17	–
Oxford 3400-3500	First Secretary of State	15,079	271,422	23/07/15	–
Oxford 6000.....	First Secretary of State	18,646	320,994	31/03/18	–
Oxford 9600.....	Harley Davidson Europe Ltd	31,903	516,987	30/03/17	–
	Blackwell Publishing Ltd	62,592	1,233,062	18/08/27	19/08/18
Total.....		178,680	3,422,829		

Source: Initial Valuation, Borrower

At Gemini 1, 11,728 sq ft of space, with an estimated rental value of £243,500, is currently vacant.⁷

D. Arlington Business Park, Reading

Location

Arlington Business Park, Reading is located at Theale on the outskirts of Reading in the Thames Valley, prominently located on the M4 (Junction 12) some 8 kilometres (5 miles) to the west of Reading. Heathrow International Airport lies 46 kilometres (28.5 miles) to the east. There are regular rail services throughout the day to Central London (Paddington).

Description

Arlington Business Park, Reading is bounded by the M4, A4 and the railway, and has been developed over the past 15 years in five phases. The elements of the park still in the Borrower's ownership comprise some 5.49 hectares (13.57 acres) in totality split between Parkview (1200 series), Waterside (1300 series) and Plot 1400.

There remains 10,950 sqm gross (117,878 sq ft) of potential developable space on Plot 1400. The site, which is prominently located on the park, is currently being marketed as a pre-let opportunity. A flexible design for a four storey office building has been drawn up.

⁷ Actual annualised non-recoverable costs associated with this vacant space are £87,415, according to the Borrower.

There are no on-site amenities. The park is, however, close to Theale High Street with its shops, banks and restaurants and the retail warehouse facilities close by including a large Sainsbury's store. More extensive retail and leisure facilities are found in Reading town centre.

Thames Valley Park (Junction 10 of the M4) and Green Park (Junction 11 of the M4) provide bespoke Business Park competition in the area.

The Borrower understands that other owners on the park include Wellcome Trust, CGNU Life Assurance, Equitable Life and Stargas Nominees. Occupiers include Danka, Wolseley plc, Pepsico, Royal Bank of Scotland, Vodafone and KPMG.

The Reading Properties comprise 201,850 sq ft of space divided into seven Properties and let to six tenants. The term to lease expiry ranges from 10 to 18 years. One lease has a break option in 9 years.

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
Reading 1210	Regus (UK) Limited	37,001	909,200	13/01/23	14/01/14
Reading 1220	Wolseley plc	20,565	580,947	29/04/14	-
Reading 1230	Danka UK Ltd	24,105	590,572	29/04/14	-
Reading 1240	Vodafone Ltd	31,980	861,861	13/06/16	-
Reading 1330	Vodafone Ltd	38,311	1,111,019	28/02/17	-
Reading 1310	Baltimore Technologies Ltd	44,145	1,247,096	11/06/17	See below
Reading 1320	e-Piphany (UK) Ltd	18,751	553,155	28/01/17	-
Total.....		214,858	5,853,850		

Source: Initial Valuation, Borrower

Baltimore Technologies Ltd has the option to break the lease at any time until 12/12/2005, subject to taking a new lease of 7,060 sqm (76,000 sq ft) at another property of the Borrower at Reading, Bracknell or Uxbridge. In the Initial Valuation, Knight Frank have treated the tenant's break option as being effectively inoperable without the Borrower's cooperation, which would not be forthcoming at this time. A further consideration is that Baltimore Technologies Ltd has fully sublet the space beyond the expiry of the break option. The ground and first floors are sublet to Clearswift Ltd and Content Technologies Ltd until 2009 at a rent of £828,130 per annum. The second floor is sublet to Nvidia Ltd and Nvidia International Inc until September 2013, with a tenant break option on 25/09/08, at a rent of £412,026 per annum.

At Reading 1220, one floor of 9,803 sq ft, with an estimated rental value of £259,750, is vacant.⁸

E. Solent Business Park

Location

Solent Business Park is located immediately to the north of Junction 9 of the M27 motorway midway between the two principal south coast cities of Southampton and Portsmouth. The M27 motorway links to the M3 motorway to the west and the A3 trunk road to the east, both of which provide access to Central London. Southampton International Airport is also located nearby on a regular basis and a deep water port is located in Southampton. Central London, Waterloo Station, can also be reached within the hour by train from Southampton Parkway some six kilometres (4 miles) distant, with frequent peak time services.

Description

The Park comprises some 78.95 hectares (195 acres) in totality split between Solent 1 and Solent 2.

At Solent 1, there remains 68,653 sqm (739,000 sq ft) of potential developable space of which 24,061 sqm (259,000 sq ft) gross on plots 4200 (part) and 4300 are within the ownership of the Borrower. The land is fully serviced.

On-site facilities within the Park include a sandwich bar, travel agent, dentist, hairdresser and wine bar situated at the Solent Centre and also a separate hotel, public house and leisure facilities, which have recently been upgraded, at the Solent Hotel. More extensive retail facilities are situated immediately to the north of the Park at the Whiteley Village Designer Outlet Centre which comprises some 70 retail outlets. A large Tesco superstore and petrol filling station are adjacent to the Centre.

⁸ Actual annualised non-recoverable cost associated with this vacant space are £115,415 according to the Borrower.

The Borrower understands that other owners on the Park currently include IBM Pension Fund, Scottish Amicable, Prudential, Skandia, Barclays Nominees and UBS Triton. Occupiers include Zurich Insurance, Regus, Norwich Union, Abbey National, Computer Associates, Exxon Mobil and Amey.

The Solent Properties which form part of Solent 1 comprise 230,586 sq ft divided into two Properties fully let to two tenants. The terms to lease expiry are 13 and 19 years. One lease has a break option in 8 years.

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
Solent 3000	Zurich Insurance Company	99,972	1,711,750	04/09/17	04/09/12
Solent 4000: Buildings 1-3	NATS (En Route) PLC ⁹	130,614	2,226,343	09/11/23	-
Total.....		230,586	3,938,093		

Source: Initial Valuation, Borrower

F. Uxbridge Business Park

Location

Uxbridge benefits from a strategic location on the western fringe of London with good road and rail communications. The town is situated approximately 0.62 kilometres (0.4 miles) south of Junction 1 of the M40, 3.2 kilometres (2 miles) from Junction 16 of the M25, and approximately 5.6 kilometres (3.5 miles) north of Junction 4 of the M4 providing direct access to Heathrow Airport.

Uxbridge town centre has good shopping facilities and rail links via the Metropolitan and Piccadilly lines provide underground services both to Heathrow Airport and Central London. The bus terminal also provides frequent services to Heathrow Airport and surrounding towns.

The Uxbridge office market consists of a number of office clusters situated in various locations around the edge of the retail centre, such as Oxford Road and Vine Street. The site to comprise Uxbridge Business Park is located off Oxford Road on Sanderson Road and is bordered by the Grand Union Canal to the west, Shire Ditch to the east and the M40 to the north. The Quays is situated on the north side of Oxford Road adjoining the bridge over the Grand Union Canal.

Description

Uxbridge Business Park comprises the former Sanderson factory site with associated playing fields extending to approximately 28.73 hectares (71 acres).

Currently, a building of 5,828 sqm (62,733 sq ft) net internal area is under construction, with completion due in early 2005 and has been pre-let to Bristol-Myers Squibb. Under the terms of the preletting Arlington is obliged to build out a further building, commencing in the fourth quarter of 2004.

The Uxbridge Properties comprise The Quays, a Property currently let to Parexel International Limited. The lease expires in May 2022 and does not contain a break option.

Property	Tenant	Space (sq ft)	Contracted Rent (£ pa)	Lease Expiry	Break Option
The Quays	Parexel International Limited	86,759	2,109,670	16/05/22	-
Total.....		86,759	2,109,670		

Source: Initial Valuation, Borrower

⁹ Rent free periods on three leases expire in January 2005 in the case of two leases and in February 2005 for the third lease.

VALUATION REPORT

Arlington Business Parks Partnership
Arlington House
Arlington Business Park
Theale
Berkshire RG7 4SA

Epic Opera (Arlington) plc as Issuer
Blackwell House
Guildhall Yard
London EC2V 5AE

Eurohypo AG, London Branch as Loan Arranger, Joint Arranger, Facility Agent and Servicer
90 Long Acre
London WC2E 9RA

The Royal Bank of Scotland plc as Loan Arranger, Joint Arranger and Lead Manager
135 Bishopsgate
London EC4M 3UR

UBS Limited as Lead Manager
100 Liverpool Street
London EC2M 2PP

The Bank of New York as Note Trustee and Issuer Security Trustee
One Canada Square
London E14 5AL

19 October 2004

Dear Sirs

PORTFOLIO OF 25 PROPERTIES HELD WITHIN THE ARLINGTON BUSINESS PARK PARTNERSHIP (THE PROPERTIES)

1. Introduction

We refer to instructions from Eurohypo AG London Branch contained in a letter of 22 April 2004, and our subsequent confirmation of instructions of 30 June 2004.

We have inspected the 25 freehold properties to provide you with our opinion of their Market Value as at 9 August 2004 subject to existing tenancies as at 30 June 2004. We are of the opinion that since the date of the valuation, there has been no diminution in the value of the Properties as at 19 October 2004.

2. Basis of Valuation

We confirm that the valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standards (5th Edition) issued by the Royal Institution of Chartered Surveyors. Our valuation has been carried out on the basis of Market Value in accordance with Practice Statement 3.2.

Market Value is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion”.

We also confirm that we have valued in accordance with the Listing Rules published by the Financial Services Authority.

The net annual rents for the Properties referred to in the attached schedules are defined in the Listing Rules as:

“the current income or income estimated by the valuer:

- (a) ignoring any special receipts or deductions arising from the Properties;
- (b) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (c) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent”.

In addition, we have provided our estimate of the net annual rent of the Properties. The estimated net annual rent is based on the current rental value of the Properties reflecting the terms of the leases where the Properties or parts thereof are let at the date of valuation. In respect of vacant accommodation, as at the date of valuation, the rental value reflects the rent we consider would be attainable on a market letting as at that date.

3. Inspections

The Properties have been inspected by Knight Frank LLP between March 2004 and July 2004.

4. Taxation and Costs

No allowance has been made in our valuations for expenses of realisation or for taxation which may arise in the event of a disposal and our valuations are expressed exclusive of any VAT which may become chargeable. However, we have confirmed that the landlord has exercised his option to tax the Properties for VAT purposes.

We have made deductions in our valuations to reflect purchasers' acquisition costs.

5. Title

We have been provided with draft Certificates of Title prepared by Messrs Jones Day and confirm that there is nothing contained therein relating to underlying, onerous or unusual restrictions, covenant clauses or easements which materially affect our opinion of value. We have assumed that the Properties possess good and marketable titles and are capable of unrestricted transfer to third parties in the open market.

6. Planning

Enquiries of the appropriate planning authorities in respect of matters affecting the Properties have been made orally, although information has been given to us on the basis that it should not be relied upon.

In addition to the above enquiries, we have relied upon information contained within the Certificates of Title and made the assumption that the Properties have been constructed in full compliance with valid Town Planning and Building Regulation Approvals, and that where necessary they have the benefit of current Fire Certificates, and are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless the Certificates of Title have revealed to the contrary, we have made a further assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

7. Condition and Repair of the Properties

We have not carried out either structural or condition surveys on the Properties and are therefore unable to report that the Properties are free of any structural fault, infestation or defects of any other nature, including inherent weaknesses due to the use and construction of deleterious materials. No tests were carried out on any of the technical services. In the course of our inspections, we took note of the state of repair and condition of each property and had due regard to these factors in arriving at our valuation.

8. Environmental Issues

We have been provided with copies of environmental reports by Stanger Science and Environment, dated September 2001, which we are instructed to rely upon. It is assumed that for the purposes of this

valuation, none of the Properties are, or are likely to be, affected by land contamination and that there are no ground conditions that would affect future use of the Properties.

9. Floor Areas

In all cases, we have been provided with agreed areas of the buildings by the Borrower. These areas have been agreed between the borrower and the tenant at first letting or at first review.

Knight Frank LLP has previously carried out valuations for loan purposes on a number of Properties within the portfolio. In these instances, we have verified the accuracy of floor plans by undertaking a number of check measurements on-site and have calculated floor areas in accordance with the Code of Measuring Practice (5th Edition) issued by the Royal Institution of Chartered Surveyors. In all cases, the floor areas computed by Knight Frank LLP were within an acceptable tolerance, for valuation purposes, of the agreed areas provided to us by the Borrower and, as such, are suitable for the purposes of this instruction.

10. Tenancy Information

We have not read copies of the leases or the related documents, but have relied upon the tenancy summaries contained in the Certificates of Title prepared by Messrs Jones Day for the purposes of our valuation. The summary of tenancy information is enclosed in the attached schedule.

We have not undertaken detailed investigations into the financial strength of the tenants. It has been assumed that the tenants are financially in a position to meet their obligations and there are no arrears of rents or breaches of covenants. However, our valuation reflects the type of tenants actually in occupation, or likely to be in occupation, and the market's general perception of their credit worthiness.

11. Valuation

In our opinion, the current aggregate Market Value of the Properties as at 9 August 2004, subject to the terms of the existing tenancies, as at 30 June 2004, was in the sum of £401,940,000 (Four Hundred and One Million, Nine Hundred and Forty Thousand Pounds). Details of the individual property values are shown on the attached schedule.

12. Disclosure

Knight Frank LLP is appointed by Arlington Business Parks GP Limited as External Valuers to provide it with quarterly valuations for internal and balance sheet purposes. We confirm that in relation to Knight Frank LLP's preceding financial year, the total fees paid by Arlington Business Parks GP Limited, as a percentage of the total fee income of Knight Frank LLP, was less than 5 per cent.

13. Confidentiality

This report is issued only and solely for the purposes of the Offering Circular. The valuation is for the use only of the parties to whom this report is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents.

Yours faithfully

M.F.P. Cripps FRICS
Partner
For and on behalf of
Knight Frank LLP
Chartered Surveyors
20 Hanover Square, London W1S 1HZ

Schedule to Valuation Report

Address	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Current Net Annual Rent Receivable	Estimated Current Net Annual Rental Value	Market Value
Building 4020, Birmingham Business Park, Birmingham	<p>The property comprises a self-contained two storey air conditioned office building, with car parking at a ratio of 1:19.04 sq.m. (1:205 sq.ft.). The accommodation extends to some 1,445 sq.m. (15,554 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Softlab Limited for a term of 16 years from 22 October 2003.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p> <p>The property is currently subject to a rent free period. The contracted rent of £311,080 per annum commences on 17 December 2004.</p> <p>There is a tenant's break option (original tenant only) on 22 October 2011 on six months' notice subject to the payment of a surrender premium of 9/12 of the passing rent.</p>	£0	£311,080	£3,930,000
Building 4040, Birmingham Business Park, Birmingham	<p>The property comprises a self-contained three storey air conditioned office building, with car parking at a ratio of 1:18.96 sq.m. (1:204 sq.ft.). The accommodation extends to some 2,503 sq.m. (26,939 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.</p> <p>Built 2003.</p> <p>Freehold.</p>	<p>The property is let in its entirety to IMI Kynoch Limited for a term of 18 years from 25 December 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 25 December 2007.</p>	£538,780	£538,780	£7,700,000
Building 4060, Birmingham Business Park, Birmingham	<p>The property comprises a self-contained three storey air conditioned office building, with car parking at a ratio of 1:19.14 sq.m. (1:206 sq.ft.). The accommodation extends to some 3,311 sq.m. (35,643 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Hutchinson 3G UK Limited for a term of years from 10 April 2002 to 31 December 2021.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 10 April 2007.</p> <p>There is a tenant's break option (original tenant only) with effect from 10 April 2012 on 12 months' notice and subject to 48 weeks' rent option penalty fee.</p> <p>The second floor of the building has been sub-let to Securicor Omega Express on a lease expiring on 23 November 2008, at a rent of £228,852 per annum.</p>	£695,038	£695,038	£8,950,000

<u>Address</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Annual Rental Value</u>	<u>Market Value</u>
Building 4520, Birmingham Business Park, Birmingham	<p>The property comprises a self-contained three storey air conditioned office building, with car parking at a ratio of 1:19.82 sq.m. (1:213 sq.ft.). The accommodation extends to some 5,569.63 sq.m. (59,953 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, close to the Park's sole entrance from the A452 Chester Road. It is adjacent to the Waterside Amenity Centre, which contains the Park Office and various catering outlets, and has easy access to the main Park distributor road, Solihull Parkway.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Orange Personal Communications Services Limited (guaranteed by Orange PLC) for a term of 20 years from 16 October 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 16 October 2007.</p> <p>There is a tenant's break option on 16 October 2018 on at least 12 months' and one days' written notice.</p>	£1,199,060	£1,199,060	£17,070,000
Trident Court (2920,2940, 2960), Birmingham Business Park, Birmingham	<p>The property comprises 3 self-contained air conditioned office buildings, two of two storeys, and one of three storeys, with car parking at a ratio of 1:16.91 sq.m. (1:182 sq.ft.). The accommodation extends to some 5,923 sq.m. (63,761 sq.ft) net.</p> <p>The property is located towards the centre of Birmingham Business Park, which is accessed via the A452 Chester Road. Each building has its own access to Solihull Parkway, the Park's main distributor road.</p> <p>Built 1999.</p> <p>Freehold.</p>	<p>All three buildings are let to the Secretary of State for the Environment, Transport and the Regions (now the First Secretary of State) for terms of 16 years and 6 months from 30 November 1999.</p> <p>The current rents payable are £513,200, £298,350 and £431,800 per annum, for Buildings 2920, 2940 and 2960 respectively.</p> <p>All the leases have been drawn on fully repairing and insuring terms and are subject to five yearly upward only rent reviews; the next review date is 30 November 2007.</p>	£1,243,350	£1,243,350	£18,400,000
Building 1 Hatfield Business Park, Hatfield	<p>The property forms part of a prominent headquarters office facility, and provides accommodation with a net internal area of 7,216.26 sq.m. (77,647 sq.ft.) arranged over ground and three upper floors. Car parking is provided at a ratio of 1:30.45 sq.m. (1:328 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the northern end of a crescent of six buildings known as the "Communique".</p> <p>Built 2001.</p> <p>Freehold.</p>	<p>The property is let to T-Mobile (UK) Limited (guaranteed by T-Mobile International AG) for a term of 20 years from 28 February 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 28 February 2007.</p>	£1,514,117	£1,514,117	£21,750,000

<u>Address</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Annual Rental Value</u>	<u>Market Value</u>
Building 2, Hatfield Business Park, Hatfield	<p>The property forms part of a prominent air conditioned headquarters office facility, and provides accommodation with a net internal area of 6,561.34 sq.m. (70,628 sq.ft.) arranged over ground and three upper floors. Car parking is provided at a ratio of 1:30.38 sq.m. (1:327 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the north eastern corner of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p>	<p>The property is let to T-Mobile (UK) Limited (guaranteed by T-Mobile International AG) for a term of 20 years from 22 March 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 22 March 2007.</p>	£1,377,246	£1,377,246	£19,780,000
Building 5, Hatfield Business Park, Hatfield	<p>Freehold.</p> <p>The property forms part of a prominent air conditioned headquarters office facility, and provides accommodation with a net internal area of 7,452.50 sq.m. (80,218 sq.ft.) arranged over ground and three upper floors. There is a glazed link to Building 6 at ground floor level. Car parking is provided at a ratio of 1:30.80 sq.m. (1:332 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the South Eastern corner of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p>	<p>The property is let to T-Mobile (UK) Limited (guaranteed by T-Mobile International AG) for a term of 20 years from 11 October 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 11 October 2007.</p>	£1,564,251	£1,564,251	£22,470,000
Building 6, Hatfield Business Park, Hatfield	<p>Freehold.</p> <p>The property forms part of a prominent air conditioned headquarters office facility, and provides accommodation with a net internal area of 7,462.90 sq.m. (80,330 sq.ft.) arranged over ground and three upper floors. There is a glazed link to Building 5 at ground floor level. Car parking is provided at a ratio of 1:31.10 sq.m. (1:335 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the southern end of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p>	<p>The property is let to T-Mobile (UK) Limited (guaranteed by T-Mobile International AG) for a term of 20 years from 3 October 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 3 October 2007.</p>	£1,566,435	£1,566,435	£22,500,000

<u>Address</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Annual Rental Value</u>	<u>Market Value</u>
Buildings 3 & 4, Hatfield Business Park, Hatfield (Note: to be moved under Building 2)	<p>The property comprises two interlinked office buildings, providing the focus of a prominent headquarters facility, with a net internal area of 14,448.09 sq.m. (155,518 sq.ft.). The buildings are arranged over ground and three upper floors and are connected by a glazed two storey link block. The link block, which extends to 644 sq.m. (6,932 sq.ft), houses the reception area.</p> <p>Car parking is provided at a ratio of 1:29.67 sq.m. (1:319 sq.ft.).</p> <p>The property is located to the front of Hatfield Business Park, west of its main entrance off the A1001 at the Green Lanes roundabout. It is accessed via Mosquito Way, and forms the centre of a crescent of six buildings known as the "Communique".</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let to T-Mobile Limited (guaranteed by T-Mobile International AG) for a term of 20 years from 28 June 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews, the first falling on 28 June 2007.</p>	£3,457,601	£3,100,601	£47,700,000
Buildings 5510, Oxford Business Park, Oxford	<p>The property comprises 2,429.61 sq.m. (26,153 sq.ft.) net of air conditioned office accommodation over ground and two upper floors. Car parking is provided at a ratio of 1:21.13 sq.m. (1:227 sq.ft.).</p> <p>The property is located to the south west of the main entrance to the Park, and is accessed directly from John Smith Drive. This forms the main service road for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the business park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to the Secretary of State for Health, for a term of 15 years from 2 May 2002.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£557,914	£538,500	£8,450,000
Buildings 5520, Oxford Business Park, Oxford	<p>The property comprises a three storey office building totalling 3,348 sq.m. (36,035 sq.ft.) net. Car parking is provided at a ratio of 1:21.46 sq.m. (1:231 sq.ft.).</p> <p>The property is located to the south west of the main entrance to the Park, and is accessed directly from John Smith Drive. This forms the main service road for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the business park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The 1st and 2nd floors of the building are let to Buildbase Limited, for a term of 16 years from, and including, 15 July 2002.</p> <p>The tenant is responsible for the repair of the demised premises. The landlord's costs of external repairs and insurance are recoverable by means of a service charge. The lease is subject to five yearly upwards only rent reviews.</p> <p>The ground floor is currently vacant.</p>	£522,450	£747,850	£9,625,000

<u>Address</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Annual Rental Value</u>	<u>Market Value</u>
Buildings 6000, Oxford Business Park, Oxford	<p>The property comprises an air conditioned office building, together with a research and development/workshop facility. The office accommodation extends to some 2,088.49 sq.m. (22,481 sq.ft.) net, and the workshop provides for a further 875 sq.m. (9,422 sq.ft.). Car parking is provided at a ratio of 1:18.02 sq.m. (1:194 sq.ft.).</p> <p>The property is located to the north west of the main entrance to the Park, and is accessed from Alec Issigonis Way. This forms one of the main service roads for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the business park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Harley Davidson Europe Limited, for a term of 15 years from, and including, 31 March 2002.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£516,987	£520,275	£7,250,000
Buildings 9600, and part 9400 Oxford Business Park, Oxford	<p>The property comprises a self contained office and air conditioned building over ground and two upper floors, with a full height central atrium, totalling 5,815 sq.m. (62,592 sq.ft.) net. Car parking is provided at a ratio of 1:21.70 sq.m. (1:234 sq.ft.).</p> <p>The property is located to the north west of the main entrance to the Park, and is accessed from Alec Issigonis Way. This forms one of the main service roads for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the business park.</p> <p>Built 2002.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Blackwell Publishing Limited, for a term of 25 years from 19 August 2002. The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p> <p>There is a tenant's option to determine on 19 August 2018.</p>	£1,233,062	£1,233,062	£17,500,000

<u>Address</u>	<u>Description, Age and Tenure</u>	<u>Terms of Existing Tenancies</u>	<u>Estimated Current Net Annual Rent Receivable</u>	<u>Estimated Current Net Annual Rental Value</u>	<u>Market Value</u>
Buildings 3400-3500, Oxford Business Park, Oxford	<p>The property comprises two, two storey detached air conditioned office buildings, with a total net internal area of 3,133 sq.m. (33,725 sq.ft.). Car parking is provided at a ratio of 1:12.21 sq.m. (1:185 sq.ft.).</p> <p>The property is located to the west of the main entrance to the Park, and is accessed directly from John Smith Drive. This forms the main service road for the Park, and links with Garsington Road, which has a roundabout junction with the A4142, at the entrance to the business park.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>Both buildings are let to the Secretary of State for the Environment, Transport and the Regions.</p> <p>Building 3400 is let for a term of 15 years from 24 July 2000, at a rent of £271,422 per annum.</p> <p>Building 3500 is let for a term from 15 May 2000 at a rent of £320,994 per annum.</p> <p>The leases have been drawn on fully repairing and insuring terms and are subject to five yearly upward only rent reviews in respect of Building 3400. While the original tenant is the tenant under the lease the rent is subject to three yearly upward only rent reviews in respect of Building 3500. If the original tenant is not the tenant the rent reviews are five yearly.</p> <p>While the original tenant is the tenant under the lease the rent review in respect of Building 3500 is reviewed in accordance with the increase in the Retail Price Index.</p>	£592,416	£658,500	£9,350,000
Building 1210, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 3,437.39 sq.m. (37,001 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:206 sq.ft.).</p> <p>The property forms the western end of a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Regus (UK) Limited for a term of 25 years from 14 January 1998.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p> <p>There is a tenant's break option on 14 January 2014, with 12 months' prior notice.</p>	£909,200	£909,200	£11,450,000
Building 1220, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 2,821.19 sq.m. (30,368 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:204 sq.ft.).</p> <p>The property represents the second in a series of four buildings known as Parkview, which have good visibility from the A4, are located to the east of the park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The 1st and 2nd floors of the building are let to Wolseley Plc on two leases expiring 29 April 2014 at a total rent of £580,947 per annum.</p> <p>The leases are drawn on effective fully repairing and insuring terms. The landlord recovers the cost of repair to the common parts and insurance by means of a service charge. The rents are subject to upward only review on 19 October 2006 and 2011 in respect of the 1st floor, and 19 June 2006 and 2011 in respect of the 2nd floor. The ground floor is currently vacant.</p>	£580,947	£820,153	£10,375,000

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Building 1230, Arlington Business Park, Reading	<p>The property comprises a three storey, high quality office building with a net internal area of 2,239.35 sq.m. (24,105 sq.ft.). Car parking is provided at a ratio of 1:20 sq.m. (1:211 sq.ft.).</p> <p>The property represents the third building in a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the Park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Danka (UK) Plc for a term of 16 years from 30 April 1998.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p> <p>The next review, at 28 April 2003, is outstanding.</p>	£590,572	Confidential – rent review outstanding	£7,750,000
Building 1240, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 2,970.94 sq.m. (31,980 sq.ft.). Car parking is provided at a ratio of 1:19.5 sq.m. (1:210 sq.ft.).</p> <p>The property represents the fourth building in a series of four buildings known as Parkview, which have good visibility from the A4. They are located to the east of the Park entrance, and are accessed from the main estate road.</p> <p>Built 1996.</p> <p>Freehold.</p>	<p>The property is let in its entirety to Vodafone Limited for a term of 16 years from 14 June 2000.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£861,861	£847,500	£11,400,000
Building 1310, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 4,101.07 sq.m. (44,145 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:202 sq.ft.).</p> <p>The property is one of a trio of buildings known as Waterside. They are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>The property is let to Baltimore Technologies Plc, for a term of 16 years and six months from 12 December 2000, on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p> <p>There is a tenant's option to break the lease at any time within the first five years of the term, subject to it taking a new lease of 7,060 sq.m (76,000 sq.ft.) at Reading, Uxbridge or Bracknell. This option ceases on the fifth anniversary of the term, or on assignment of the lease. If the break is exercised, the tenant must pay a break penalty in accordance with the terms of the lease.</p> <p>The ground and 1st floors of the building are let to Clearswift Ltd and Content Technologies Ltd for seven years, expiring 2009, at a rent of £828,130 per annum, subject to review.</p> <p>The 2nd floor is let to Nvidia Ltd and Nvidia International Inc. for a term of 10 years from 25 September 2003, at a rent of £412,026 per annum, subject to review. There is a tenant's break option on 25 September 2008.</p>	£1,247,096	£1,170,000	£15,650,000

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Building 1320, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 1,741.97 sq.m. (18,751 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:206 sq.ft.).</p> <p>The property is the middle building of a trio of buildings known as Waterside. They are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>The property is let to E. Piphany (UK) Limited, for a term of 16 years from 29 January 2001.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£553,154	£467,000	£6,710,000
Building 1330, Arlington Business Park, Reading	<p>The property comprises a three storey air conditioned office building with a net internal area of 3,559.09 sq.m. (38,311 sq.ft.). Car parking is provided at a ratio of 1:19 sq.m. (1:204 sq.ft.).</p> <p>The property is one of a trio of buildings known as Waterside. They are located at the eastern end of the Park, and are accessed via an estate road running along the northern end of the lake.</p> <p>Built 2000.</p> <p>Freehold.</p>	<p>The property is let to Vodafone Limited, for a term of 16 years from 1 March 2001.</p> <p>The lease is drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£1,111,019	£1,015,000	£14,750,000
Buildings 1,2,3 (A,B & C) 4000, Parkway, Solent Business Park, Southampton	<p>The property comprises three air conditioned inter-communicating headquarters office buildings situated in their own landscaped grounds. The buildings inter-connect at each floor, although they are capable of being occupied and serviced individually.</p> <p>The buildings provide a total of 12,134.04 sq.m. (130,614 sq.ft.) net internal area of accommodation over ground and two upper floors. Car parking is provided at a ratio of 1:24.15 sq.m. (1:260 sq.ft.).</p> <p>The property is located in the north east corner of the Park, at the end of Parkway. Access to the site is provided by a service road which has an electronically controlled barrier system in place.</p> <p>Built 2004.</p> <p>Freehold.</p>	<p>The buildings are let to NATS (en Route) Plc. for a term of 20 years from and including 10 November 2003.</p> <p>The leases are drawn on fully repairing and insuring terms, and are subject to five yearly upwards only rent reviews.</p> <p>The buildings are currently subject to rent free periods which expire on 12 January 2005, 6 February 2005 and 9 January 2005, for Buildings 1,2 and 3 respectively.</p> <p>The contracted rents are as follows:</p> <p>Building 1 £756,080 Building 2 £848,107 Building 3 £622,156</p>	£0	£2,272,000	£32,030,000

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Buildings 3000A and 3000B, Solent Business Park, Southampton	<p>The property comprises two, self-contained air conditioned headquarters office buildings, with net internal areas of 3,852.19 sq.m. (41,466 sq.ft.) and 5,435.20 sq.m. (58,506 sq.ft.) respectively. Car parking is provided at a ratio of 1:17.5 sq.m. (1:189 sq.ft.).</p> <p>The property is located in the north east corner of the Park, south of the Whitely Retail Village and opposite the recently constructed NATS buildings. The Solent Centre and the Forum Development are to the south.</p> <p>Built 1997.</p> <p>Freehold.</p>	<p>The buildings are let to Zurich Insurance Co. on two separate leases, for terms of 20 years from 5 September 1997.</p> <p>The leases are drawn on fully repairing and insuring terms, and are subject to five yearly upwards only rent reviews.</p> <p>The current rents payable are £655,000 and £1,056,750 per annum, for Buildings 3000 A and 3000B respectively.</p> <p>Subject to certain conditions, the tenant may determine the leases at the end of the 15th year of the term, upon giving not less than 13 months' notice.</p>	£1,711,750	£1,811,750	£22,000,000
The Quays, Uxbridge	<p>The property comprises a refurbished air-conditioned office building, and provides accommodation with a net internal area of 8,059.91 sq.m. (86,759 sq.ft.) arranged over ground and three upper floors. Car parking is provided at a ratio of 1:128.15 sq.m. (1:303 sq.ft.).</p> <p>The property is located on Oxford Road, which links Uxbridge town centre with Junction 1 of the M40 to the north west, and forms part of the A4020 south and west ring road.</p> <p>Built 1991/1992.</p> <p>Freehold.</p>	<p>The property is let to Parexel International Limited for a term of 20 years from 17 May 2002.</p> <p>The lease has been drawn on fully repairing and insuring terms and is subject to five yearly upward only rent reviews.</p>	£2,109,670	£1,981,000	£27,400,000

THE LOAN AND THE LOAN SECURITY

1. Loan Origination Process

In connection with the origination of the Loan, the Initial Lenders ensured that certain due diligence procedures were undertaken such as would customarily be undertaken by a prudent lender making loans secured on commercial Properties of this type, so as to evaluate the Borrower's ability to service its loan obligations and so as to analyse the quality of the Portfolio. In order to do this, an analysis of the contractual cashflows, occupational tenant covenants and lease terms and the overall quality of the real estate was undertaken by or on behalf of the Initial Lenders. Risk was assessed by stressing the cashflows derived from underlying tenants and the risks associated with refinancing the amount due upon the maturity of the Loan. The property investment experience and expertise of the Borrower's sponsors were also factors taken into consideration in the lending analysis.

2. Legal Due Diligence in connection with the Loan

The Initial Lenders also instructed English solicitors to carry out a review of the certificates of title relating to the Properties prepared by English solicitors acting for the Borrower.

The Initial Lenders and their solicitors obtained general information relating to the proposed Loan including details of the Borrower's ownership structure and that of the other Obligors, the accounts to be operated in connection with the facility, arrangements for the collection of rents and/or management of the Properties (including details of managing agents), and insurance of the Properties.

Title and Other Investigation

Certificates of title (each, a **Certificate of Title**) in relation to all of the Properties (being substantially in the City of London Law Society's standard form) were issued on the Loan Closing Date by the Borrower's solicitors to the Facility Agent, for the benefit of, among others, the Initial Lenders.

The investigation required to provide the Certificates of Title included the usual review of title documentation and Land Registry entries (including any lease under which a Property was held) together with all usual Land Registry, Local Authority and other appropriate searches. In addition, all leases and tenancies affecting the Properties were reviewed subject to certain limited exceptions and the basic terms (including, among other things, details of rent reviews and tenant's determination rights) were included in the Certificates of Title.

The Initial Lenders' solicitors also reviewed the Certificates of Title issued by the Borrower's solicitors and confirmed the adequacy of the form and content of the Certificates of Title and highlighted any matters that they considered should be drawn to the attention of the Initial Lenders and the Valuer. Written confirmation has been obtained from the Valuer that the terms of the Certificates of Title were taken into account in the valuation.

Capacity of Obligors

The Initial Lenders' solicitors satisfied themselves that each Obligor was validly incorporated, had sufficient power and capacity to enter into the proposed transaction, whether it was the subject of any insolvency proceedings, and generally that the Obligors had complied with any necessary formalities.

Registration of Security

Following drawdown of the Loan, the solicitors acting for the Initial Lenders ensured that all necessary registrations in connection with taking security were attended to within all applicable time periods and appropriate notices served (where required by the terms of the Credit Agreement). The title deeds in relation to each of the Properties are held by the Initial Lenders' solicitors to the order of the Facility Agent and it is expected that this will continue to be the case after the Loan Closing Date. The Borrower's solicitors will retain certain commercial leases for management purposes but will do so on the basis that they are held to the order of the Facility Agent.

Environmental Reports and Building Condition

Environmental reports were prepared for all of the Properties by Stanger Science and Environment and are dated September 2001. They confirm that the environmental position is considered satisfactory for current uses. No material events have been reported since the date of these reports.

Knight Frank inspected the Properties for valuation purposes and noted no material items of disrepair. The economic liability for the repair of the buildings falls on the occupational tenants, who occupy under FRI leases.

The Quays Uxbridge was acquired in 2002. This Property was completed in 1991/92. A building survey report was carried out by Strutt & Parker in February 2002 as part of the acquisition due diligence. The issues outlined in the report, including the requirement for a comprehensive overhaul of the air conditioning system have been addressed by the Borrower.

3. Credit Agreement

The Credit Agreement was entered into on 1 September 2004 between, *inter alios*, the Borrower, each other Obligor and the Initial Lenders.

The Credit Agreement is governed by English law. The Credit Agreement contains the types of representations and warranties and undertakings on the part of the Borrower and each other Obligor that a reasonably prudent lender making loans secured on commercial properties of this type would customarily require. A summary of the principal terms of the Credit Agreement is set out below.

Loan amount and drawdown and further advances

The Loan was drawn down in its entirety (£300,000,000) on 2 September 2004. Save for the making of Hedging Loans by the Issuer (as described below), there is no provision for any further advances to be made to the Borrower.

Conditions precedent

Each Initial Lender's obligation to make the Loan under the Credit Agreement was 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. The documentation required included, among other things: constitutional documents and board minutes for the Borrower and each other Obligor, a valuation in respect of each Property, evidence of appropriate insurance cover in respect of each Property, all title documents relating to the Borrower's and the Property Trustees' interest in each Property, copies of all Occupational Leases and title searches related to each Property, security documents (and releases of existing security), all appropriate UK and other tax clearances and all relevant legal and tax opinions and notices in connection with the assignment of rental income and charging of bank accounts.

Interest and amortisation payments/repayments

Interest under the Loan will be paid quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year in respect of successive Interest Periods.

Unless previously repaid, the Loan is repayable in full on 28 October 2011.

The Credit Agreement permits the Borrower to prepay the Loan on any Interest Payment Date in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000) by giving not less than 45 days' prior written notice to the Facility Agent. The aggregate amount of any voluntary prepayments made under the Loan may not exceed £90,000,000 unless the Loan is repaid in full. Voluntary prepayment of the Loan is subject to payment of the following prepayment fees:

- (a) if prepayment occurs on or before 2 September 2005, a fee of 1.00 per cent. of the amount of the Loan prepaid or cancelled;
- (b) if prepayment occurs after 2 September 2005 but on or before 2 September 2006, a fee of 0.50 per cent. of the amount of the Loan prepaid or cancelled; and
- (c) if prepayment occurs after 2 September 2006, no prepayment or cancellation fee shall apply.

Prepayment fees will not at any time be payable in the following circumstances:

- (a) where it becomes unlawful for a Lender to lend or maintain the Loan and the Borrower prepays;
- (b) where the Borrower prepays on account of an increase in a Lender's costs arising out of a change of law or regulation which have been passed onto it;
- (c) where the prepayment is made on account of all or any part of a Property being compulsorily purchased;

- (d) where the prepayment is made in circumstances where the Borrower has not, within 12 months of major damage to, or destruction of, a Property commenced reinstatement works on that Property with the insurance reinstatement proceeds;
- (e) where the Borrower is obliged to gross up interest payable on the Loan and, as a result, prepays; or
- (f) where the prepayment is made out of the proceeds of insurance.

In connection with prepayments by the Borrower, where the notional amount of the Loan Hedging Arrangements exceeds the aggregate amount of the Loan then outstanding following prepayments by the Borrower, the Borrower will, at the request of the Facility Agent, be required to reduce the notional amount of the Loan Hedging Arrangements as described further in “*Hedging obligations*” below.

On each Interest Payment Date, monies will be debited from the Rent Account to discharge any interest, principal payments and/or other sums due under the Credit Agreement and the Loan Hedging Arrangements. Any surplus monies standing to the credit of the Rent Account on the relevant Interest Payment Date (after payment of certain other prescribed costs, fees and expenses) will be paid to the General Account and, subject to there being no Loan Event of Default outstanding, may be withdrawn by the Borrower.

Borrowing Group Accounts

Pursuant to the terms of the Credit Agreement, the Borrower and the Property Trustees have established a number of bank accounts (as described below, the **Borrowing Group Accounts**) into which rental income and other monies received in connection with the Properties are required to be paid. On the Loan Repayment Date or following a Loan Event of Default, the Facility Agent will be able to assume sole signing rights and control over those Borrowing Group Accounts in respect of which it does not already have sole signing rights.

Under the Credit Agreement, all accounts established and maintained pursuant to the Credit Agreement must be maintained with a bank that has a rating of at least “F1” (or better) by Fitch, “P-1” (or better) by Moody’s and “A-1+” (or better) by S&P for its short term debt obligations and “A” (or better) by Fitch, “A1” (or better) by Moody’s and “AA-” (or better) by S&P for its long-term debt obligations. As at the date of this Offering Circular, all of the Borrowing Group Accounts are held with The Royal Bank of Scotland plc acting through its office at London Corporate Service Centre, 3rd Floor, 2¹/₂ Devonshire Square, London EC2M 4XJ.

(a) *General Account*

The Borrower is required to ensure that any amounts received by an Obligor (other than amounts required under the Credit Agreement to be transferred to any Service Charge Account, tenant’s security accounts or sinking fund accounts) are paid into a current account (the **General Account**) in the name of the Borrower.

Subject to any restrictions in the Subordination Deed and prior to any Loan Event of Default, the Borrower is permitted to make withdrawals from the General Account. Following any Loan Event of Default, the Facility Agent will assume control of the General Account and will be permitted to apply amounts standing to the credit of the General Account towards payment of the Borrower’s obligations under the Finance Documents.

(b) *Rent Account*

Each Obligor is required to ensure that all rental income (less service charges due in respect of any Property, amounts on deposit as security for the performance of any tenant’s obligations under any Occupational Lease and taxes) and all amounts payable to it under the Loan Hedging Arrangements (other than amounts to be paid into a CSA Account) are paid into a deposit account (the **Rent Account**) in the joint names of the Property Trustees. The Facility Agent has sole signing rights in relation to the Rent Account and is irrevocably authorised by the Property Trustees on each Loan Interest Payment Date (provided no Loan Event of Default is then outstanding) to apply amounts standing to the credit of the Rent Account as follows:

- (i) *first*, towards payment *pro rata* of any unpaid costs and expenses of the Facility Agent, the Loan Arrangers and any Rating Agency monitoring fees;

- (ii) *secondly*, towards payment *pro rata* of the outstanding amount under any Hedging Loan (as defined below in “*Hedging obligations*”);
- (iii) *thirdly*, towards payment *pro rata* of any periodic payments due but unpaid (not being payments as a result of termination or closing out of the Loan Hedging Arrangements) to the Loan Hedge Counterparties;
- (iv) *fourthly*, towards payment *pro rata* of any accrued interest on the Loan due under the Credit Agreement;
- (v) *fifthly*, towards payment *pro rata* of any payments due but unpaid (not being payments referred to in **sub-paragraph (vii)** below) to any Loan Hedge Counterparty as a result of termination or closing out of any Loan Hedging Arrangement;
- (vi) *sixthly*, towards payment *pro rata* of any principal amount due but unpaid under the Credit Agreement;
- (vii) *seventhly*, towards payment *pro rata* of any payments due but unpaid to the Loan Hedge Counterparties as a result of termination or closing out of the Loan Hedging Arrangements arising from it becoming illegal for one or more of the Loan Hedge Counterparties to comply with its obligations under the Loan Hedging Arrangements or an event of default relating to one or more of the Loan Hedge Counterparties or a Loan Hedge Counterparty failing to comply with the provisions of the relevant Loan Hedging Arrangement regarding a Rating Event (as defined below in “*Hedging obligations*”);
- (viii) *eighthly*, payment *pro rata* of any other amounts due but unpaid under the Finance Documents; and
- (ix) *ninthly*, if Interest Cover is less than 125 per cent., payment of any surplus into the Reserve Account or if Interest Cover is equal to or greater than 125 per cent. and no Loan Event of Default is outstanding, payment of any surplus into the General Account.

Interest Cover means, on any test date under the Credit Agreement and in respect of the 12 month period starting on that test date, projected annual net rental income as a percentage of projected annual finance costs at that time.

Notwithstanding the occurrence of any Loan Event of Default, any amounts paid into the Rent Account in respect of value added tax shall continue to be paid by the Facility Agent to the General Account.

(c) *Service Charge Account*

The Property Trustees are required to use reasonable endeavours to ensure that any amounts in respect of insurance costs and service charges received by a Property Trustee under any Occupational Lease or agreement to grant an Occupational Lease in respect of all or part of a Property (each, a **Lease Document**) are paid into one or more deposit accounts (each, a **Service Charge Account**) in the joint names of the Property Trustees. Under the terms of the Credit Agreement, the Property Trustees or, while a Loan Event of Default is outstanding, the Facility Agent, is permitted to apply any amount standing to the credit of the Service Charge Account in or towards the purpose for which it was paid under the relevant Occupational Lease. On notification by the Property Trustees, the Facility Agent must promptly transfer any insurance costs and service charges incorrectly paid into the Rent Account to the Service Charge Account.

(d) *Reserve Account*

The Facility Agent has sole signing rights in relation to the **Reserve Account**, which is a deposit account maintained in the joint names of the Property Trustees. Any surplus rental income will be deposited in the Reserve Account if Interest Cover falls below 125 per cent. on that Loan Interest Payment Date. If, on a subsequent Loan Interest Payment Date, the Interest Cover is equal to or greater than 125 per cent. and no Loan Event of Default is then outstanding, the Facility Agent shall be permitted to transfer amounts standing to the credit of the Reserve Account to the General Account. Amounts standing to the credit of the Reserve Account are not taken into account in calculating Interest Cover.

The Facility Agent will be permitted at any time when a Loan Event of Default is outstanding to apply amounts standing to the credit of the Reserve Account to meet any interest shortfall or in prepayment of the Loan provided that (in the case of a prepayment in part of the Loan) there shall be no minimum

amount or integral multiples of the amount prepayable. If no Loan Event of Default is outstanding, the Facility Agent shall, if requested by the Property Trustees and subject to Interest Cover being at the required level, apply any amounts standing to the credit of the Reserve Account in prepayment of the Loan provided that (in the case of a prepayment in part of the Loan) there shall be no minimum amount or integral multiples of the amount prepayable.

(e) *Deposit Account*

The Facility Agent has sole signing rights in relation to the **Deposit Account**, which is a deposit account in the joint names of the Property Trustees. An Obligor may deposit an amount into the Deposit Account in respect of a rent free period under a Lease Document and, if no Loan Event of Default is then outstanding and the Interest Cover test is satisfied, the Facility Agent shall, if so requested by the Property Trustees, transfer that amount into the General Account. The Facility Agent will be permitted at any time when a Loan Event of Default is outstanding to apply amounts standing to the credit of the Deposit Account to meet any amount due but unpaid under the Finance Documents.

(f) *Disposal Proceeds Account*

The Facility Agent has sole signing rights in relation to the **Disposal Proceeds Account** which is an account maintained in the joint names of the Property Trustees into which the proceeds of any disposal of a Property or Properties made in accordance with the Credit Agreement (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) must be paid. If no Loan Event of Default is outstanding, the Facility Agent will be permitted to apply amounts standing to the credit of the Disposal Proceeds Account in the manner more particularly described in "*Disposals and substitutions*" below. The Facility Agent will be permitted at any time when a Loan Event of Default is outstanding to apply amounts standing to the credit of the Disposal Proceeds Account to meet the Borrower's obligations under the Finance Documents.

For more detailed information on the disposal and substitution of a Property or Properties and prepayment of amounts paid into the Disposal Proceeds Account, see "*Disposals and substitutions*" below.

(g) *Other Accounts*

The Property Trustees will open and maintain one or more tenants' security accounts into which an Obligor will be required to pay monies received by any Obligor by way of security for the performance of a tenant's obligations under an Occupational Lease and one or more sinking fund accounts into which an Obligor will be required to pay tenant contributions in respect of maintenance or service charge expenditure.

Monies received in respect of any credit support annex entered into in connection with the Loan Hedging Arrangements will be deposited into one or more collateral accounts (each, a **CSA Account**) in the joint names of the Property Trustees and dealt with in accordance with such Loan Hedging Arrangement. Upon termination of any Loan Hedging Arrangements, the Facility Agent shall pay to the Loan Hedge Counterparty any amount representing excess collateral standing to the credit of a CSA Account in priority to any other secured creditor under the Borrower Deed of Charge or the PT Deed of Charge.

Hedging obligations

Under the terms of the Credit Agreement, the Borrower is required to maintain (subject to the limits described below) interest rate hedging arrangements to protect against the risk that the interest rate payable by the Borrower under the Loan may increase to levels which would be too high, bearing in mind the Borrower's income (which comprises, primarily, rental income in respect of the Properties and which does not vary according to prevailing interest rates).

In order to comply with these obligations, the Borrower has entered into the Loan Hedging Arrangements with the Loan Hedge Counterparties each of which has a rating for its short term debt obligations of at least "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P and a rating of its long term debt obligations of at least "A-1" (or better) by Moody's (the **Counterparty Requisite Ratings**) (or, in the case of Eurohypo, has transferred collateral to a CSA Account in an amount acceptable to the Rating Agencies pursuant to a credit support annex in respect of its obligations under the Loan Hedging Arrangements). On 3 September 2004 the Borrower assigned

to the Property Trustees (acting jointly), by way of a deed of assignment, the benefit of each Loan Hedging Arrangement in existence as at that date.

In addition, under the terms of the Credit Agreement, the Loan Hedging Arrangements must cover an aggregate notional amount not less than the aggregate amount of the Loan then outstanding, such that at all times the Borrower's obligations under the Loan will be fully hedged against adverse movements in prevailing interest rates.

If the notional amount of the Loan Hedging Arrangements exceeds the aggregate amount outstanding of the Loan at any time, then:

- (a) prior to the enforcement of the Loan Security, the Borrower will, at the request of or on behalf of the Issuer, reduce the notional amount of the Loan Hedging Arrangements by an amount and in a manner satisfactory to the Issuer; and
- (b) on or after the enforcement of the Loan Security, the notional amount of the Loan Hedging Arrangements will be automatically reduced in accordance with the terms of the Credit Agreement and the Loan Hedging Arrangements.

Neither the Borrower nor a Loan Hedge Counterparty will be entitled to amend or waive the terms of any Loan Hedging Arrangement without the consent of the Facility Agent (such consent not to be unreasonably withheld or delayed).

Subject to agreement with the relevant counterparty, the Borrower will be entitled to terminate the Loan Hedging Arrangements so long as the Borrower has entered into substitute Loan Hedging Arrangements with counterparties having the Counterparty Requisite Ratings and in accordance with the terms of the Credit Agreement.

Except as set forth above, neither the Borrower nor any Loan Hedge Counterparty will be permitted to terminate or close out any Loan Hedging Arrangements (in whole or in part) except:

- (a) in case of illegality;
- (b) where all outstanding amounts under the Finance Documents (other than the Loan Hedging Arrangements) have been paid in full;
- (c) with the prior consent of the Facility Agent (i) as permitted by the terms of the relevant Loan Hedging Arrangement or (ii) with the consent of the relevant Loan Hedge Counterparty; or
- (d) upon the request of the Facility Agent as a result of a Rating Event (as defined below) occurring with respect to a Loan Hedge Counterparty and that Loan Hedge Counterparty failing to comply with the relevant provisions of the Loan Hedging Arrangements.

If, at any time, a Loan Hedge Counterparty ceases to have the Counterparty Requisite Ratings or, following such a cessation, experiences a further ratings downgrade specifically described in the Loan Hedging Arrangements (a **Rating Event**), it will be required to take certain measures specified by the relevant Rating Agencies to address any impact of any such Rating Event on the Notes. The required measures will vary depending upon the nature of the Rating Event and will include the relevant counterparty:

- (a) transferring collateral to a CSA Account;
- (b) transferring all of its rights and obligations with respect to the relevant Loan Hedging Arrangements to a replacement third party; and/or
- (c) procuring a third party to become a co-obligor or guarantor in respect of its obligations under the relevant Loan Hedging Arrangements,

in each case in a manner satisfactory to the relevant Rating Agencies and as described in more detail in the relevant Loan Hedging Arrangements.

Hedging Loans

If the Borrower fails to pay an amount due and payable under any Loan Hedging Arrangement and such failure constitutes a Loan Event of Default, the Issuer may, pursuant to the terms of the Credit Agreement make a loan to the Borrower to enable it to pay that amount (a **Hedging Loan**). A Hedging Loan will be repayable on demand on any Loan Interest Payment Date or on or after the date the Facility Agent by notice to the Borrower cancels any outstanding commitments under the Credit

Agreement and/or demands that all or part of the Loan together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable and/or demands that all or part of the Loan becomes payable on demand and/or declares the security constituted by either the Borrower Deed of Charge or the PT Deed of Charge (each, a **Deed of Charge** and together, the **Deeds of Charge**) to be enforceable. A Hedging Loan will bear interest at a default rate (calculated in accordance with the Credit Agreement) and will be repaid from monies standing to the credit of the Rent Account or from the proceeds of a loan from a Subordinated Creditor to the Borrower.

Guarantee and indemnity

The Property Trustees, Holdco and Subco have each, pursuant to the Credit Agreement, jointly and severally guaranteed the obligations of the Borrower under the Finance Documents and have undertaken to pay any amount not paid by the Borrower when due under the Finance Documents and to indemnify each Finance Party immediately on demand against any loss or liability suffered by that Finance Party if any guaranteed obligation is or becomes unenforceable, invalid or illegal.

The recourse of the Finance Parties to each Property Trustee will be limited to the aggregate amount of the Trust Property. The recourse of the Finance Parties to each of Holdco and Subco will be limited to the aggregate amount of the security assets which are the subject of the PT Deed of Charge.

Representations and warranties

The representations and warranties given (or to be given) by the Borrower and each other Obligor under the Credit Agreement, as of the date of the Credit Agreement and (subject to certain exceptions), the date of the request for the Loan, the date of drawdown, each Interest Payment Date, the date of any disposal or substitution of Properties or the date of any prepayment permitted under the Credit Agreement, include (or will include), among other things, the following statements:

- (a)
 - (i) the Borrower is a duly registered and validly existing limited partnership under the Limited Partnership Act 1907 and has its principal place of business in England;
 - (ii) each Obligor (other than the Borrower) is incorporated as a limited liability company under the laws of England and Wales; and
 - (iii) each Obligor has the requisite power to own its assets and carry on its business and to enter into, perform and deliver the Finance Documents and such entry into and performance of the Finance Documents will constitute a legal, valid, binding and enforceable obligation of that Obligor and will not conflict with any applicable law or regulation or the constitutional documents of that Obligor or any document binding on it where such conflict would be likely to have a Material Adverse Effect;
- (b) no Loan Event of Default is outstanding or is likely to result from the making of the Loan;
- (c) subject to due registration of the relevant loan security documents, all authorisations required in connection with entry into, performance, validity and enforceability of the Finance Documents have been obtained or effected and are in full force and effect;
- (d) the “centre of main interests” of each Obligor for the purposes of Council Regulation (EC) No. 1346/2000 of 29 May 2000 (the **Centre of Main Interests**) is situated in England and Wales and none of the Property Trustees, Holdco or Subco has any place of operations where it carries on non-transitory economic activity with human means and goods (an **Establishment**) in any other jurisdiction;
- (e) the Property Trustees are the legal owners of each Property;
- (f) the Borrower is the beneficial owner of each Property;
- (g) the Borrower and each Property Trustee has good and marketable title to each Property, in each case free from any security interests (other than those set out in the relevant Deed of Charge);
- (h) all information supplied by the Borrower to the solicitors who prepared any Certificate of Title in relation to any Property was true and complete in all material respects as at its date;
- (i) the security conferred by the Loan Security and any Related Security constitutes a first priority security interest over the assets referred to in that agreement and the assets are not subject to any prior or *pari passu* security interests;

- (j) no litigation, arbitration or administrative proceedings are, to the knowledge of the Borrower, current or threatened which would be likely to have a Material Adverse Effect;
- (k) all information supplied by the Borrower to the Loan Arrangers, the Lenders and the Facility Agent, among others, in connection with the Finance Documents was as at its date:
 - (i) insofar as it consists of statements of fact, true, accurate and complete in all material respects;
 - (ii) insofar as it consists of statements of opinion, fairly representative of its views and expectations; and
 - (iii) insofar as it consists of statements of intention, fairly representative of its intentions, and did not omit any information which made the information supplied misleading in any material respect;
- (l) all information supplied by the Borrower to the Valuer for the purposes of each Valuation was true, complete and accurate in all material respects as at its date and did not omit any information which might adversely affect the Valuation in any material respect;
- (m) the accounts of each Obligor most recently delivered to the Facility Agent have been prepared in accordance with (in the case of the Borrower) the Partnership Agreement and (in the case of each other Obligor) accounting principles and practices generally accepted in the United Kingdom and fairly represent the financial condition of each Obligor as at the date to which they were drawn up, and, in the case of the Borrower, its real property assets are reflected in its latest audited balance sheet at market value evidenced by valuations undertaken as at the date of that balance sheet by nationally recognised firms of third party surveyors or valuers;
- (n)
 - (i) since the date of its formation as a limited partnership, the Borrower has not carried on any business other than the acquisition, ownership, management, maintenance, extension, refurbishment, development, letting and/or disposal of real property and related incidental matters;
 - (ii) since the date of its incorporation, the General Partner has not carried on any business other than acting as general partner of the Borrower;
 - (iii) since the date of its incorporation, neither Holdco nor Subco has carried on any business other than its ownership of (in the case of Holdco) shares in Subco and (in the case of Subco) shares in the Property Trustees; and
 - (iv) since the date of its incorporation, neither Property Trustee has carried on any business other than the ownership of a legal interest in the Properties;
- (o) no Obligor (other than the Borrower) has any subsidiaries except for (in the case of the General Partner) Holdco, Subco and each Property Trustee, (in the case of Holdco) Subco and each Property Trustee and (in the case of Subco) each Property Trustee; and
- (p) as at the date of the Credit Agreement:
 - (i) the Limited Partners are the only limited partners in the Borrower;
 - (ii) the General Partner is the only general partner in the Borrower;
 - (iii) at least 51 per cent. of the General Partner's entire issued share capital is ultimately beneficially owned and controlled by, among others, The Prudential Insurance Company of America, Akaria Investments Limited and Legal & General Assurance Society Limited;
 - (iv) each Property Trustee's entire issued share capital is fully paid-up and is legally and beneficially owned by Subco;
 - (v) Subco's entire issued share capital is fully paid-up and is legally and beneficially owned by Holdco; and
 - (vi) Holdco's entire issued share capital is fully paid-up and is legally and beneficially owned by the General Partner.

Undertakings

The Borrower and each other Obligor have given various undertakings under the Credit Agreement which will take effect so long as any amount is outstanding under the Loan or any commitment is in place. These undertakings include, among other things, the following:

- (a) to provide the Facility Agent with financial information on an ongoing basis, including audited accounts, within 180 days of the end of each financial year and (to the extent produced) within 90 days of each financial half-year;
- (b) to supply any documentation required by law or by the rules of any stock exchange to be supplied to any shareholder (in the case of each Obligor other than the Borrower), the Partners (in the case of the Borrower) or any creditor generally;
- (c) to supply details of any material litigation, arbitration or administrative proceedings which are current or threatened and which would be likely to have a Material Adverse Effect;
- (d) to notify the Facility Agent promptly of any Loan Event of Default;
- (e) to supply any applicable “know your customer” documentation or other evidence;
- (f) to procure that the Borrower’s obligations under the Finance Documents rank at least *pari passu* with all other present and future unsecured obligations and not to create or permit any charge to arise over any of its assets (other than certain customary exceptions);
- (g) not without the consent of the Majority Lenders to sell, transfer, lease or otherwise dispose of all or any part of its assets provided that, subject to there being no Loan Event of Default outstanding or likely to result from the disposal, the Borrower and the Property Trustees may dispose of any Property if the disposal is made on arm’s length terms to an unrelated third party, the net disposal proceeds are not less than the market value of the Property disposed of as determined in accordance with the initial valuation of that Property provided to the Facility Agent and the proceeds of any disposal (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) are applied in payment to the Disposal Proceeds Account (for more detailed information in this regard, see “*Disposals and substitutions*” below);
- (h) (in the case of the Property Trustees) to apply any amount standing to the credit of the Disposal Proceeds Account in the acquisition of a new Property in substitution for a Property or Properties disposed of in accordance with **paragraph (g)** above (provided that no Loan Event of Default is outstanding or is likely to result from the purchase of the new property), the new property (as determined by reference to the most recent valuation of that Property) is in value at least equal to the value of the outgoing Property, the projected net rental for the new property is at least equal to the net rental income for the outgoing property, the Properties continue to have equivalent or improved geographic diversity, the new Property has equivalent or improved tenant quality and the Rating Agencies confirm that the purchase of the new Property will not adversely affect the rating of any securities issued (for more detailed information in this regard, see “*Disposals and substitutions*” below);
- (i)
 - (i) other than as permitted under the terms of the Credit Agreement, not to enter into any amalgamation, demerger, merger or reconstruction;
 - (ii) (in the case of the Borrower and except in relation to the introduction and exit of Limited Partners) to promptly notify the Facility Agent of any plans involving any amalgamation, demerger, merger or reconstruction involving the Borrower and not to enter into any amalgamation, demerger, merger or reconstruction without the prior written consent of the Facility Agent (unless the amalgamation, demerger, merger or reconstruction would not prejudice the interests of the Finance Parties);
 - (iii) (in the case of each other Obligor) not to acquire any assets or business or make any investments which would cause the Property Trustees to carry on any business other than the ownership of a legal interest in the Properties;
- (j) (in the case of a Property Trustee, Holdco or Subco) not to make any loans or provide any other form of credit or to give any guarantee or indemnity to any person (other than customary exceptions);
- (k) (in the case of a Property Trustee, Holdco or Subco) not to enter into any contracts other than the Finance Documents or contracts in connection with any Property in which a Property Trustee has

an interest or in connection with the acquisition of a property acquired in substitution for a Property or Properties disposed of in accordance with **paragraph (g)** above or otherwise as permitted under the Credit Agreement;

- (l) not to carry on any business other than, in the case of the Borrower, the ownership, management, maintenance, extension, refurbishment, development, letting and/or disposal of real property and related incidental matters and, in the case of the Property Trustees, other than the ownership of a legal interest in the Properties or to have any subsidiaries;
- (m) (in the case of each Obligor other than the Borrower) not to declare or pay any dividend or make any distribution in respect of its shares, to issue any further shares or alter any rights attaching to its issued shares as at the date of the Credit Agreement or to repay or redeem any of its share capital;
- (n) (in the case of the General Partner) not to be a member of a value added tax group that includes the Property Trustees as members, (in the case of each Property Trustee) not to be a member of a value added tax group other than a value added tax group including only the other Property Trustee and (in the case of Holdco and Subco) not to be a member of a value added tax group;
- (o) to ensure that at all times:
 - (i) the entire issued share capital of each Property Trustee is legally and beneficially owned by Subco;
 - (ii) the entire issued share capital of Subco is legally and beneficially owned by Holdco; and
 - (iii) the entire issued share capital of Holdco is legally and beneficially owned by the General Partner;
- (p) (in the case of the Borrower) to acknowledge the appointment of the Initial Operator or the Initial Investment Adviser or to appoint any other operator or investment adviser and procure that any subsequent operator or investment adviser enters into a duty of care agreement with the Facility Agent, under which the operator or investment adviser (as applicable) acknowledges it has notice of the security interests created under the Finance Documents; and if an operator or investment adviser is in default of its obligations, (on the request of the Facility Agent) to terminate that operator's or that investment adviser's appointment and appoint a new operator or investment adviser;
- (q) (in the case of the Borrower) to acknowledge the appointment of the Initial Property Adviser or to appoint any other property adviser which is a member of the Arlington Group and procure that each property adviser enters into a duty of care agreement with the Facility Agent, under which the property adviser acknowledges it has notice of the security interests created under the Finance Documents and, if the property adviser is in default of its obligations, on the request of the Facility Agent to terminate that property adviser's appointment and appoint a new property adviser;
- (r) (i) not without the prior written consent of the Facility Agent to amend the Partnership Agreement so as to conflict with the Finance Documents or the Property Trust Deed or enter into any agreement or arrangement inconsistent with the Partnership Agreement or the Property Trust Deed and (in the case of the Borrower and the General Partner) to provide copies of any statements or notices delivered or required under the Limited Partnerships Act 1907;
 - (ii) in the case of the Borrower:
 - (A) to notify the Facility Agent of any change of name and to maintain its place of business in England and Wales;
 - (B) to procure that any new limited partner accedes to the Subordination Deed and enters into a subordinated creditor accession deed and supplies any required constitutional documents and corporate authorisations and other customary documents; and
 - (C) to ensure that each Property Trustee exercises its rights and powers in relation to any Property in compliance with the Finance Documents;
- (s) in the case of the Property Trustees, Holdco or Subco, not to cause or allow its Centre of Main Interests to be in, or to maintain an Establishment in, any jurisdiction other than England and

Wales and, in the case of the Borrower and the General Partner, to use all reasonable endeavours to maintain its Centre of Main Interests in England and Wales and not to take any steps with a view to moving its Centre of Main Interest elsewhere;

- (t) to comply with certain customary undertakings regarding the administration of Occupational Leases and the appointment of managing agents in respect of the Properties;
- (u) to maintain insurance on the Property on a full reinstatement value basis and not less than three years' loss of rent on all Occupational Leases together with third party liability insurance and insurance against subsidence and acts of terrorism (to the extent available in the London insurance market) and to procure that the Facility Agent is named as co-insured on all relevant insurance policies;
- (v) to comply with all environmental laws and approvals in respect of a Property where failure to do so has or is reasonably likely to have a Material Adverse Effect or to result in any liability for a Finance Party;
- (w) to maintain projected annual net rental income as a percentage of projected annual finance costs, each as estimated from time to time by the Facility Agent, of at least 115 per cent;
- (x) (in the case of the Borrower) to ensure that its net worth is:
 - (i) at all times up to (but excluding) 2 September 2008, at least £250,000,000; and
 - (ii) at all times from (and including) 2 September 2008, at least £300,000,000; and
- (y) (in the case of the Borrower) to ensure that its total borrowings do not at any time exceed 60 per cent. of its gross assets at that time.

Disposals and substitutions

No Obligor will be permitted, without the consent of the Majority Lenders, to sell, transfer, lease or otherwise dispose of all or any part of its assets unless:

- (a) no Loan Event of Default is outstanding or is likely to result from the disposal;
- (b) the disposal will be made on arm's length terms to an unrelated third party; and
- (c) the net disposal proceeds will not be less than the market value of the Property or Properties disposed of (as determined in accordance with the Initial Valuation).

The proceeds of any disposal of a Property or Properties (less any reasonable costs of that disposal and the amount of any taxes payable as a result of that disposal) will be paid into the Disposal Proceeds Account. The Facility Agent will be permitted to apply amounts standing to the credit of the Disposal Proceeds Account as follows:

- (i) in prepayment of the Loan in an amount equal to 115 per cent. of the Allocated Debt Amount (as defined below) (provided that, in the case of a prepayment of part of the Loan, there shall be no minimum amount or integral multiples of the amount prepayable); in satisfaction of any amount due under the Loan Hedging Arrangements as a result of termination or closing out in consequence of that prepayment; and in payment of any surplus to the General Account; or
- (ii) in the acquisition of a new property in substitution for the Property or Properties disposed of; or
- (iii) to the General Account to the extent that a new property acquired in substitution for a Property or Properties disposed of is beneficially owned by the Borrower prior to the date of that substitution (provided that the amount transferred to the General Account will not exceed the market value of the new property).

If the Property Trustees request the Facility Agent to apply amounts standing to the credit of the Disposal Proceeds Account in accordance with sub-paragraph (ii) above, the right of the Property Trustees to acquire the new property will be conditional upon:

- (a) there being no Loan Event of Default outstanding or likely to result from the purchase of the new property;
- (b) the projected net rental income for the new property being at least equal to the net rental income for the Property disposed of;

- (c) the new property being in value at least equal to the value of the Property disposed of and the aggregate market value of all new properties acquired not exceeding 15 per cent. of the aggregate market value of the Properties (determined in accordance with the Initial Valuation);
- (d) the Properties continuing to have equivalent or improved geographic diversity and the new property having equivalent or improved tenant quality;
- (e) the Rating Agencies confirming that the purchase of the new property will not adversely affect the rating of the Notes; and
- (f) the Facility Agent receiving, in the usual manner, certain documents and other matters as conditions precedent to the acquisition of the new property.

If, on or prior to the date falling 30 days before the second Interest Payment Date following receipt of net disposal proceeds into the Disposal Proceeds Account, the net disposal proceeds and related interest are not applied in accordance with sub-paragraphs (i) to (iii) above, the Facility Agent will be authorised to apply those amounts on that Interest Payment Date:

- (a) in prepayment of the Loan in an amount equal to 115 per cent. of the Allocated Debt Amount (as defined below) in relation to that Property;
- (b) in satisfaction of any amount due under the Loan Hedging Arrangements as a result of a termination or closing out in consequence of that prepayment; and
- (c) in payment of any surplus to the General Account.

In this Offering Circular, **Allocated Debt Amount** means the amount in relation to a Property set out opposite the name of that Property in the table below.

Property Name	Allocated Debt Amount
Birmingham 2900	13,733,393
Birmingham 4020	2,933,274
Birmingham 4040	5,747,126
Birmingham 4060	6,680,102
Birmingham 4520	12,740,708
Hatfield T-Mobile Building 1	16,233,766
Hatfield T-Mobile Building 2	14,763,398
Hatfield T-Mobile Building 3+4	35,602,329
Hatfield T-Mobile Building 5	16,771,160
Hatfield T-Mobile Building 6	16,793,551
Oxford 3400-3500	6,978,654
Oxford 6000	5,411,255
Oxford, Gemini 1	7,183,908
Oxford, Gemini 2	6,306,911
Oxford 9600	13,061,651
Reading 1210	8,546,052
Reading 1220	7,743,693
Reading 1230	5,784,445
Reading 1240	8,508,733
Reading 1310	11,680,848
Reading 1320	5,008,210
Reading 1330	11,009,106
Solent 3000	16,420,361
Solent Buildings 1-3	23,906,553
Uxbridge, The Quays	20,450,814
	300,000,000

Events of default

The Credit Agreement contains the usual events of default entitling the Facility Agent and any other Lenders (subject, in certain cases, to customary grace periods and materiality thresholds) to accelerate the Loan and/or enforce the Loan Security, including, among other things:

- (a) failure to pay on the due date any amount due under the Finance Documents;
- (b) breach of other specified obligations under the Finance Documents;
- (c) any representation or warranty was incorrect in any material respect at the date it was given;
- (d) any financial indebtedness of the Borrower or any other Obligor is not paid when due or within any applicable grace period or becomes prematurely due and payable or is placed on demand (in each case subject to a threshold of the greater of £5,000,000 and 1 per cent. of the net worth of the Borrower at that time);
- (e) the Borrower or any other Obligor is unable to pay its debts or is deemed to be insolvent or other insolvency acts or events occur (including, among other things, the commencement of insolvency proceedings, the appointment of any liquidator or administrative receiver or the attachment or sequestration of any asset);
- (f) the Borrower or any other Obligor ceases or, threatens to cease, to carry on all or a substantial part of its business without the consent of the Majority Lenders and in circumstances where it would have a Material Adverse Effect on its ability to perform its obligations under any Finance Document;
- (g) it is or becomes unlawful for the Borrower or any other Obligor to perform any of its obligations under any Finance Document if, in the opinion of the Facility Agent acting reasonably, those obligations are material;
- (h) the Loan Security or the Subordination Deed is not or is alleged not to be binding or enforceable or effective to create the security intended to be created by it and the guarantee given by the Guarantors is not or is alleged not to be binding or enforceable against any Guarantor;
- (i) the Initial Operator, Initial Investment Adviser and Initial Property Adviser ceases to be operator, investment adviser and property adviser respectively and is not replaced within 60 days and, in the case of the property adviser, it ceases to be a wholly-owned subsidiary of Arlington Property Services Limited during the term of its appointment;
- (j)
 - (i) at least 51 per cent. of the share capital of the General Partner ceases to be ultimately beneficially owned and controlled by, among others, the Prudential Insurance Company of America, Akaria Investments Limited and Legal and General Assurance Society Limited;
 - (ii) the entire issued share capital of each Property Trustee ceases to be legally and beneficially owned by Subco;
 - (iii) the entire issued share capital of Subco ceases to be legally and beneficially owned by Holdco;
 - (iv) the entire issued share capital of Holdco ceases to be legally and beneficially owned by the General Partner;
 - (v) the Limited Partners cease to be the only limited partners of the Borrower; and
 - (vi) the General Partner ceases to be the only general partner of the Borrower;
- (k) an event or series of events occurs which, in the reasonable opinion of the Majority Lenders, constitutes a material adverse change in the financial condition of the Borrower or any other Obligor and would be likely to prevent the Borrower or any other Obligor from complying with its obligations under any of the Finance Documents.

In relation to non-payment and breaches of other obligations, the Credit Agreement includes customary grace periods, but in no instance are these grace periods longer than three Business Days or 15 Business Days, as appropriate.

Upon the occurrence of a Loan Event of Default which has not been remedied within the applicable grace period, the Facility Agent may by notice to the Borrower cancel any outstanding commitments under the Credit Agreement, demand that all or part of the Loan together with accrued interest and all

other amounts accrued under the Finance Documents becomes immediately due and payable and/or demand that all or part of the Loan becomes payable on demand and/or declare the security constituted by the Borrower Deed of Charge or the PT Deed of Charge to be enforceable.

4. The Trust Property

The Property Trust Deed

Pursuant to the terms of a trust deed dated 2 September 2004 (the **Property Trust Deed**), the Borrower is the beneficiary of a trust declared by the Property Trustees over the following assets (together, the **Trust Property**):

- (a) the Properties (subject to, and with the benefit of, the Occupational Leases);
- (b) any additional properties acquired in accordance with the terms of the Credit Agreement (subject to, and with the benefit of, the Occupational Leases);
- (c) the rent and the right to receive all other income arising from any interest of the Property Trustees in the Properties or otherwise arising from the Properties to which the Property Trustees may be entitled;
- (d) all Disposal Proceeds;
- (e) all rights and interest in, under or pursuant to the Occupational Leases, any documents relating to the Properties (including, without limitation, the management of the Properties) and the Finance Documents (together, the **Underlying Documents**); and
- (f) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the Property Trustees in their capacity as trustees from time to time.

Disposal Proceeds means the gross proceeds of any disposal of a Property or a part of a Property permitted under the terms of the Credit Agreement less an amount determined by the Facility Agent as the reasonable costs and expenses associated with that disposal.

The interests of the Borrower in the trusts created by the Property Trust Deed are subject to the security conferred by, and obligations created pursuant to, the Credit Agreement, the PT Deed of Charge, the Beneficiary Undertaking and the Property Trust Deed (together, the **Trust Property Obligations**). The Borrower has agreed pursuant to the terms of the Property Trust Deed:

- (a) that the Property Trustees may reimburse themselves from, have recourse to and make payments out of the Trust Property so as to discharge any liability incurred by them in the proper exercise of their powers or otherwise pursuant to the Property Trust Deed; and
- (b) to waive its right to call for the Property Trustees to remedy any breach of trust before they become entitled to indemnify themselves from Trust Property.

In consideration of the foregoing right of indemnity, the Property Trustees have irrevocably agreed to waive any right of indemnity or contribution which they might otherwise have against the Borrower personally.

In consideration of the Property Trustees entering into the PT Deed of Charge, the Borrower has undertaken to the Property Trustees (for so long as any actual or contingent liability is owed by the Borrower under the Finance Documents) not to:

- (a) request or require that the Property Trustees transfer any of the Trust Property to the Borrower; or
- (b) dissolve the trust created pursuant to the Property Trust Deed (the **Property Trust**); or
- (c) transfer its beneficial interest in the Trust Property other than as permitted under the Underlying Documents; or
- (d) require any interest in the Trust Property to be sold; or
- (e) give any direction to the Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Trust Property Obligations.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Borrower and ending with the order taking effect or the dismissal of the application and (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Borrower and ending 10 business days later or with the appointment of an administrator and (c)

during which the Borrower is in administration (each an **Administration Period**), the Property Trustees will not be under any obligation to comply with any direction from the Borrower in respect of the Trust Property. During such periods, the Property Trustees will be entitled to sell or lease the Properties to enable them to comply with their obligations under the Finance Documents.

The Borrower may request that the Property Trustees transfer the Trust Property to it once all of the Borrower's liabilities under the Finance Documents have been discharged.

The Property Trust Deed is governed by English law.

Beneficiary Undertaking

Pursuant to a deed of undertaking dated 2 September 2004 (the **Beneficiary Undertaking**), the Borrower has undertaken to the Facility Agent (for so long as any actual or contingent liability is owed by the Borrower under the Credit Agreement) not to:

- (a) request or require that the Property Trustees transfer any of the Trust Property to the Borrower; or
- (b) dissolve the trust created pursuant to the Property Trust Deed; or
- (c) transfer its beneficial interest in the Trust Property other than as permitted under the Underlying Documents; or
- (d) require the legal (and beneficial) interest in the Trust Property to be sold; or
- (e) give any direction to the Property Trustees, or to otherwise require them to take any action, which would be inconsistent with the Trust Property Obligations; or
- (f) during an Administration Period, give any directions (or, if given, not require compliance with) to the Property Trustees in relation to the management or application of the Trust Property.

The Beneficiary Undertaking is governed by English law.

5. The Loan Security

General

Each of the Borrower Deed of Charge and the PT Deed of Charge (the security created thereby being, together, the **Borrowing Group Security**) secures, among other things, all of the obligations of the Obligors pursuant to the Finance Documents. Each of the Borrower Deed of Charge and the PT Deed of Charge have been drafted on a security trust basis so that the Borrower Security Trustee and the PT Security Trustee, respectively, holds the security created thereby on trust for the Lenders (which, after the Closing Date, will be the Issuer) and the other Finance Parties.

Representations and warranties

The representations and warranties given and to be given by each of the Obligors in connection with the Borrowing Group Security, as of the date of the relevant Deed of Charge and, *inter alia*, on each Loan Interest Payment Date, include and will include statements (as appropriate) to the effect that, among other things, the information provided to the solicitors preparing any Certificate of Title was true in all material respects and did not omit any information which would make the information provided untrue or misleading in any material respect, the Property Trustees are the legal (and the Borrower, the beneficial) owner of each of the Properties, that there is no breach of any law or regulation that might materially affect the value of any of the Properties nor is there any facility or right required for the necessary enjoyment and use of any Property that is liable to be terminated or curtailed and that each Property is free from any security interest (other than any security interests created pursuant to the Borrowing Group Security) and is in good and substantial repair and complies in all material respects with the provisions of any applicable environmental laws.

The representations and warranties referred to above may be qualified (to the extent applicable) by the Certificate of Title in relation to the relevant Property and, in the case of certain representations and warranties, to those matters of which the relevant Obligors are aware.

Undertakings

Each Obligor has undertaken, among other things, not to create or permit any security interest over the assets secured by the Borrowing Group Security (other than any security interest created in connection with the Borrowing Group Security) or sell, transfer, lease or otherwise dispose of any asset charged as

security, to comply with the terms of the relevant Deed of Charge, to comply with all provisions of any applicable environmental laws, to give notice of the security interests granted to the Account Bank, the Loan Hedge Counterparties and, following a Loan Event of Default, each tenant under the Occupational Leases, and to procure and keep each of the Properties in good and substantial repair.

Enforceability

The Borrowing Group Security will only be enforceable once a Loan Event of Default has occurred. The relevant Deed of Charge will confer upon the Borrower Security Trustee or the PT Security Trustee, as appropriate, and any receiver appointed by either of them, a wide range of powers in connection with the sale or disposal of the Properties and their management, and each of them has been granted a power of attorney on behalf of the Obligors in connection with the enforcement of the Borrowing Group Security.

The Borrower Deed of Charge

On 2 September 2004, the Borrower, the General Partner and the Borrower Security Trustee entered into a debenture (the **Borrower Deed of Charge**) pursuant to which the Borrower granted as security, by way of first fixed charge, all of its rights under the Trust Property and the Property Trust Deed, including (without limitation):

- (a) all its rights to receive payment of any amounts which may become payable to it in respect of the Trust Property or under the Property Trust Deed;
- (b) all payments received by it in respect of the Trust Property or under the Property Trust Deed, including, without limitation, all rights to serve notices and/or make demands under the Property Trust Deed and/or to take such steps as are required to cause payments to become due and payable in respect of the Trust Property or under the Property Trust Deed; and
- (c) all rights of action in respect of any breach of the Property Trust Deed and all rights to receive damages or obtain relief in respect thereof.

Furthermore, under the Borrower Deed of Charge, the General Partner has granted as security for the secured liabilities thereunder (including the obligations of the Borrower under the Credit Agreement) first fixed security over all of the shares in Holdco and an assignment by way of first fixed security of its rights under the Partnership Agreement (insofar as they relate to the other assets secured under the Borrower Deed of Charge).

Upon the occurrence of a Loan Event of Default, the security granted under the Borrower Deed of Charge will become enforceable. In such circumstances, the Borrower Security Trustee will be entitled to serve a notice requiring that all payments under or arising from the Borrower Deed of Charge (subject as provided below) will be required to be made to the Borrower Security Trustee or to its order. All rights or remedies provided for by the Borrower Deed of Charge or available at law or in equity will be exercisable by the Borrower Security Trustee.

In addition, upon the occurrence of a Loan Event of Default, the Facility Agent may, and shall if so directed by the Majority Lenders, declare all or part of the Loan immediately due and payable.

The Borrower Deed of Charge is governed by English law.

The PT Deed of Charge

On 2 September 2004, the Property Trustees (at the Borrower's request), Holdco and Subco entered into a debenture (the **PT Deed of Charge**) with the PT Security Trustee pursuant to which each Property Trustee, as security for the secured liabilities thereunder (including their liabilities under the Guarantee), has granted first fixed security over, *inter alia*, the following assets:

- (a) all the Properties;
- (b) (to the extent not covered by **paragraph (a)** above) the Trust Property;
- (c) all monies standing to the credit of any account (including the Rent Account);
- (d) all insurances relating to the Properties;
- (e) all of its book and other debts and the proceeds of the same;

- (f) to the extent not assigned by way of security, all its rights under any Loan Hedging Arrangements;
- (g) all its rights under each Lease Document; and
- (h) all of its interest in the Property Trust Deed.

Each of Holdco and Subco, as security for the secured liabilities under the PT Deed of Charge (including their liabilities under the Guarantee), has granted first fixed security over all of the shares held by it (including, in the case of Holdco, the shares in Subco and, in the case of Subco, the shares in the Property Trustees). Each of the Property Trustees, Holdco and Subco as security for the payment of all of the secured liabilities under the PT Deed of Charge has granted a first floating charge over all its assets not otherwise subject to fixed security under the PT Deed of Charge.

Limited Recourse

The liability of the Property Trustees under the PT Deed of Charge and under the Guarantee shall be satisfied solely by application of any monies realised on enforcement of the Property Trustees' right of recourse to the Trust Property.

Enforcement

Upon the occurrence of a Loan Event of Default, the security created pursuant to the PT Deed of Charge will become enforceable. In such circumstances, the PT Security Trustee will be entitled to serve a notice requiring that all payments under or arising from the PT Deed of Charge (subject as provided below) will be required to be made to the PT Security Trustee or to its order. All rights or remedies provided for by the PT Deed of Charge or available at law or in equity will be exercisable by the PT Security Trustee.

In addition, upon the occurrence of a Loan Event of Default, the Facility Agent may, and shall if so directed by the Majority Lenders, declare all or part of the Loan immediately due and payable.

The PT Deed of Charge is governed by English law.

The Subordination Deed

Each of the Limited Partners (in such capacity, the **Subordinated Creditors**) has entered into a deed with, *inter alios*, the Facility Agent (the **Subordination Deed**) pursuant to which each Subordinated Creditor has undertaken that whilst any amount remains due and outstanding under, *inter alia*, the Credit Agreement, it shall not demand or receive payment of any Subordinated Debt (other than as permitted under the Credit Agreement and the Subordination Deed) and if any payment is received in breach of the Subordination Deed, it shall hold such payment on trust for and pay it to the Facility Agent.

Subordinated Debt means any indebtedness owing to a Subordinated Creditor pursuant to or in connection with the Partnership Agreement.

TRANSACTION DOCUMENTS

1. Loan Sale Documents

General

Pursuant to the terms of the Loan Sale Documents, the Initial Lenders will sell, and the Issuer will purchase, the Loan together with the Initial Lenders' interest in the Loan Security. Consequently, as and from the Closing Date, the Issuer will be the sole Lender under the Credit Agreement.

The purchase consideration payable by the Issuer to the Initial Lenders pursuant to the Loan Sale Agreement will be equal to the aggregate of £300,000,000 (which will equal the principal amount of the Loan on the Closing Date) and the Deferred Consideration. **Deferred Consideration** shall, on any Interest Payment Date, be the balance remaining of Available Issuer Income after the application of items (a) to (n) of the Pre-Enforcement Revenue Priority of Payments or items (a) to (m) of the Post Enforcement Priority of Payments, as appropriate, in each case less 0.01 per cent. of the total Available Issuer Income on that date.

The amount of any payment to be made by the Issuer to the Initial Lenders (pursuant to the terms of the Loan Sale Agreement) on account of interest accrued prior to the sale of the Loan to the Issuer shall be recorded by the Facility Agent and paid to the Initial Lenders on the succeeding Interest Payment Date following the Closing Date, in accordance with the relevant Priority of Payments. Pursuant to the terms of the Loan Sale Agreement, the Issuer will give written notice of the transfer of the Loan to the Borrower.

Representations and Warranties

Neither the Issuer nor the Issuer Security 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 Loan. In addition, neither the Issuer nor the Issuer Security 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 Loan Sale Agreement, the Credit Agreement or the Finance Documents or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of the Loan or the Loan Security.

In relation to all of the foregoing matters concerning the Loan and the Loan Security and the circumstances in which the Loan was made to the Borrower prior to the transfer of the Loan to the Issuer, the Issuer and the Issuer Security Trustee will rely entirely on the representations and warranties to be given by the Initial Lenders to the Issuer and the Issuer Security Trustee which are contained in the Loan Sale 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 each of the Initial Lenders 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 are enforceable against, the relevant Obligors.
- (b)
 - (i) The charges by way of legal mortgage in respect of the Properties granted under the PT Deed of Charge constitute legally valid, binding and subsisting first priority mortgages of the relevant Properties (subject to completion of registration at HM Land Registry and to any prior-ranking Security Interests required by law) (a **Security Interest** being any mortgage, pledge, lien, charge, security assignment, assignation, hypothecation or other security interest or any other agreement or arrangement having the effect of conferring security).
 - (ii) The fixed charges in respect of the Properties granted under the Borrower Deed of Charge 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).
- (c) The Facility Agent has, since the Drawdown Date, kept full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to the Loan 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 the Facility Agent.
- (d) In relation to each Property and subject to the matters disclosed in the Certificates of Title and to the Borrower Deed of Charge and the PT Deed of Charge:

- (i) the Borrower and the Property Trustees had together, as at the date of the Borrower Deed of Charge and the PT Deed of Charge, good and marketable title to the Properties; and
 - (ii) as at that date, the Borrower was the absolute beneficial owner, and the Property Trustees were the legal owner, of each Property in each case free from any Security Interest which would materially adversely affect that title or the value of the Properties as set out in the Initial Valuation (including any encumbrance contained in any Lease Documents relevant to the relevant Property).
- (e) The Facility Agent is the sole legal owner of the mortgages granted under the PT Deed of Charge, subject to:
- (i) the interests of the Finance Parties therein; and
 - (ii) any necessary registrations,
- free and clear of all encumbrances, overriding interests (other than those to which the relevant Property is subject), claims and equities (including without limitation, rights of set-off or counterclaim) and there were at the time of completion of each mortgage no adverse entries of encumbrances or other such claims or equities or applications for adverse entries of encumbrances, claims or equities against any title at HM Land Registry to each Property or registered at any other registry on which entries would rank prior to the Facility Agent's interests in the relevant mortgage.
- (f) The relevant Initial Lender is entitled to transfer and assign its interests in the Loan and the Loan Security and its other rights as Initial Lender under the Finance Documents to the Issuer, both pursuant to the Loan Sale Documents and also at law.
- (g) Prior to the Drawdown Date:
- (i) the Initial Lenders 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 the Loan on the terms of the Credit Agreement;
 - (ii) the relevant Initial Lender (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 thing affecting the title of the Borrower or the Property Trustees (as appropriate) to any part of the Loan Security which would cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the making of the Loan on the terms of the Credit Agreement;
 - (iii) the Initial Lenders made available the Certificates of Title to the Valuer; and
 - (iv) the Initial Lenders obtained the Certificates of Title, none of which showed any adverse entries, or, if such any 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 the Loan on the terms of the Credit Agreement.
- (h) Prior to making the Loan:
- (i) no express recommendation was received by the relevant Initial Lender from a qualified surveyor or valuer on the basis of the market value as defined in the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors to carry out any environmental audit, survey or report of any Property which was not pursued;
 - (ii) the results of any such environmental audit, survey or report which was procured by the Initial Lenders would, as at that date, have been acceptable to a reasonably prudent lender of money secured on commercial property; and
 - (iii) those results (if any) have been taken into account in the preparation of the Initial Valuation.
- (i) To the best of the knowledge and belief of the relevant Initial Lender:
- (i) the Initial Valuation was not negligently or fraudulently undertaken by the Valuer; and
 - (ii) the Initial Valuation did not fail to disclose any fact or circumstance that if disclosed would have caused that Initial Lender, acting as a reasonably prudent lender of money secured on commercial property, to decline to advance the Loan on the terms of the Credit Agreement.

- (j) The relevant Initial Lender is not aware (from any information received by it in the course of administering the Loan without further inquiry) of any circumstances giving rise to a material reduction in the value of any Property since the Drawdown Date (other than market forces affecting the values of properties comparable to the relevant Property in the areas where the relevant Properties are located).
- (k) To the best of the knowledge and belief of the relevant Initial Lender (having made no investigation of the relevant title) no Certificate of Title was negligently or fraudulently prepared by the solicitors who prepared the same.
- (l) To the best of the knowledge and belief of the relevant Initial Lender, having used reasonable endeavours to ensure the same, each of the Properties is insured as required by the terms of the Credit Agreement.
- (m) The relevant Initial Lender is not aware of any material outstanding claim in respect of any insurance policy.
- (n) The relevant Initial Lender is not aware of any material default under any Finance Document 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).
- (o) The relevant Initial Lender has performed in all material respects all of its obligations under or in connection with the Loan and, so far as that Initial Lender is aware, no Obligor has taken or has threatened to take any action against the Initial Lenders or the Facility Agent for any material failure on the part of the Initial Lenders or the Facility Agent to perform any such obligations.
- (p) Neither the relevant Initial Lender nor (so far as that Initial Lender is aware from information which it has received in the course of administering the Loan but without having made any other or specific enquiry) the Facility Agent has received written notice of any default or forfeiture of any Occupational Lease or of the insolvency of any tenant of any Property which would, in any case, in the reasonable opinion of the Initial Lenders, render any Property unacceptable as security for the Loan.
- (q) In respect of any Property, the Property Trustees' 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 Loan.

The representations and warranties given by the Initial Lenders in connection with the Loan and the Loan Security under the Loan Sale Agreement are referred to as the **Loan Warranties**. In respect of the Loan Warranties set out in paragraphs (f), (g)(ii), (h), (i), (j), (k), (l), (m), (o) and (p) above, each Initial Lender gives such warranties in respect of itself only.

Remedy for Material Breach of Loan Warranty

In the event of a Material Breach of Loan Warranty (as defined below), the relevant Initial Lender will be required, within 60 days (or such longer period not exceeding 90 days as the Issuer or the Issuer Security Trustee may agree) of receipt of written notice of the relevant Material Breach of Loan Warranty from the Issuer or the Issuer Security Trustee, to remedy the matter giving rise to such breach of representation or warranty, if such matter is capable of remedy. A **Material Breach of Loan Warranty** means a breach of a Loan Warranty in any material respect where the facts and circumstances giving rise to that breach have a material adverse effect on the ability of the Issuer to make timely payment in full of its obligations under the Transaction Documents to which it is a party (excluding payment of any amounts payable as Deferred Consideration).

If a Material Breach of Loan Warranty is not capable of remedy or is not remedied within the specified period, each Initial Lender (or, where one Initial Lender only has materially breached a Loan Warranty, the relevant Initial Lender) will be required to indemnify on demand (on a several basis only) the Issuer against all losses, claims, demands, taxes and all other expenses or other liabilities incurred by the Issuer as a result of such Material Breach of Loan Warranty. Neither the Issuer nor the Issuer Security Trustee will have any claim in respect of any breach of any Loan Warranty that is not a Material Breach of Loan Warranty.

In the event that the Issuer (or the Issuer Security Trustee on its behalf) makes a demand for indemnity in respect of a Material Breach of Loan Warranty, the Initial Lenders (or the relevant Initial Lender) will be entitled (but will not be obliged), as an alternative to one or both of the Initial Lenders (as the case may be) being required to indemnify the Issuer, to repurchase all of the Loan (or in circumstances where one Initial Lender only is in breach, fifty per cent. of the principal balance of the Loan outstanding as at the date of repurchase) on a date not later than the second Interest Payment Date following the demand. The consideration payable in these circumstances will be an amount equal to the principal balance (or, as applicable fifty per cent.) of the Loan then outstanding plus any accrued but unpaid interest thereon. In the event that one Initial Lender only intends to repurchase part of the Loan, the repurchase must be on terms acceptable to the Issuer Security Trustee as regards, among other things, intercreditor arrangements between the Issuer and that Initial Lender.

2. Liquidity Facility Agreement

General

On or before the Closing Date, the Issuer will enter into a liquidity facility agreement (the **Liquidity Facility Agreement**) with the Liquidity Bank and the Issuer Security Trustee pursuant to which the Liquidity Bank will provide a renewable 364-day committed liquidity facility (the **Liquidity Facility**) to the Issuer. The Liquidity Facility will, subject to certain conditions, be available to be drawn by or on behalf of the Issuer where Available Issuer Income is insufficient to make certain payments (including any Hedging Loans) under the Pre-Enforcement Revenue Priority of Payments.

Income Deficiency Drawings

The Servicer is required to calculate Available Issuer Income on each Calculation Date in accordance with the terms of the Servicing Agreement. **Available Issuer Income** will comprise:

- (a) all monies (other than principal and any prepayment fees) to be paid to the Issuer under or in respect of the Credit Agreement less the amount of any expected shortfall in such amount as notified by the Servicer; and
- (b) any interest accrued upon the Issuer Accounts and paid into the Issuer Revenue Account together with the yield 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 Accounts and paid into the Issuer Revenue Account.

To the extent that Available Issuer Income will be insufficient to make the payments set out under paragraphs (a) to (l) of the Pre-Enforcement Revenue Priority of Payments on the next Interest Payment Date (including, without limitation, the amount of any Hedging Loans), the Servicer will arrange for a drawing (an **Income Deficiency Drawing**) to be made under the Liquidity Facility Agreement in an amount equal to the deficiency (the **Income Deficiency**). The proceeds of any Income Deficiency Drawing will be credited to the Issuer Revenue Account and, together with the Available Issuer Income, will constitute the **Adjusted Available Issuer Income**. This will be applied on behalf of the Issuer in making payments from the Issue Revenue Account under the Pre-Enforcement Revenue Priority of Payments on the next following Interest Payment Date.

Liquidity Facility Commitment

The Liquidity Facility Agreement will initially permit drawings to be made by the Issuer of up to an aggregate amount of £18,500,000 (the **Liquidity Facility Commitment**). The Liquidity Facility Commitment will reduce:

- (a) following partial redemption of the Notes in accordance with **Condition 6.3** (Mandatory redemption in whole or in part), in an amount proportionate to the reduction in the aggregate Principal Amount Outstanding of the Notes;
- (b) following the occurrence of an Appraisal Reduction (as defined below), in an amount proportionate to the Appraisal Reduction; or
- (c) following receipt of confirmation from the Rating Agencies that the proposed reduction in the amount of the Liquidity Facility Commitment will not adversely affect the then current ratings of the Notes.

Appraisal Reductions

Not later than the earliest to occur of:

- (a) the date 120 days after the occurrence of any Loan Event of Default as a result of non-payment; and
- (b) the date 90 days after the occurrence of a Loan Event of Default as a result of the occurrence of any prescribed insolvency event of an Obligor,

and, in each case, provided that such Loan Event of Default is continuing, the Servicer is required, under the terms of the Servicing Agreement, to obtain a valuation in respect of the Portfolio (unless, at the Servicer's discretion, a valuation has been obtained during the immediately preceding 12 months and the Servicer has confirmed that, in its view, neither the Properties nor the relevant property markets have experienced any material change since the date of such previous valuation).

If the principal amount of the Loan then outstanding (together with any unpaid interest) exceeds the sum of 90 per cent. of the appraisal value of the Properties as determined by the relevant valuation, an **Appraisal Reduction** will be deemed to have occurred and the amount of Liquidity Facility Commitment will reduce proportionately by reference to any diminution in value of the Properties since the date of the Valuation Report in accordance with the terms of the Liquidity Facility Agreement.

Liquidity Stand-by Drawings

The Liquidity Facility Agreement will provide that if at any time:

- (a) the rating of the Liquidity Bank falls below the Liquidity Requisite Ratings; or
- (b) the Liquidity Bank refuses to renew the liquidity facility,

then the Issuer will be required to find an alternative liquidity bank or will require the Liquidity Bank to pay an amount equal to its undrawn commitment under the Liquidity Facility Agreement (a **Liquidity Stand-by Drawing**) into an account solely for that purpose maintained with the Liquidity Bank or, if the Liquidity Bank ceases to have the Liquidity Requisite Ratings, any bank which has the Liquidity Requisite Ratings (such account, the **Liquidity Stand-by Account**). In the event that the Servicer makes a Liquidity Stand-by Drawing, the Servicer 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 for the purposes of making deemed Income Deficiency Drawings as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement.

For these purposes:

Liquidity Requisite Ratings means a bank that has a rating of at least "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1+" (or better) by S&P for its short-term debt unsecured, unsubordinated and unguaranteed 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 Business Day prior to the next Interest Payment Date and the long 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 "A1" by Moody's and the short term unsecured, unguaranteed and unsubordinated debt obligations of such entity are rated at least "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P or are otherwise acceptable to the Rating Agencies and, where such investments will mature in three months or more, the Rating Agencies have affirmed that the proposed investments would not result in the downgrading of the Notes.

Repayment of drawings

All payments due to the Liquidity Bank 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 Bank 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) the amount of interest earned in the relevant period in respect of the Liquidity Stand-by Account.

The Issuer will pay interest on Income Deficiency Drawings and on Liquidity Stand-by Drawings at a rate equal to three month LIBOR plus a specified margin. If, however, the liquidity bank at that time is required to advance a Liquidity Stand-by Drawing, it shall, at its expense and if so requested by or on behalf of the Issuer, transfer or replace the facility to a new liquidity bank.

3. Note Trust Deed

On or before the Closing Date, the Issuer and the Note Trustee will enter into a trust deed (the **Note Trust Deed**) pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes and contain a covenant from the Issuer to the Note Trustee to pay all amounts due under the Notes. The Note Trustee will hold the benefit of that covenant on trust for the Noteholders.

The Note Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders equally (except where expressly provided otherwise), but where there is, in the Note Trustee's opinion, a conflict between any such interests, the Note Trust Deed will require the Note Trustee to have regard to the interests of only the Class A Noteholders. If there are no Class A Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class B Noteholders only. If there are no Class A Notes or Class B Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class C Noteholders only. If there are no Class A Notes, Class B Notes or Class C Notes outstanding and, in the Note Trustee's opinion, there is a conflict between the interests of the Class D Noteholders and the Class E Noteholders, the Note Trust Deed will require the Note Trustee to have regard to the interests of the Class D Noteholders only. Only the holders of the Most Senior Class of Notes outstanding may request or direct the Note Trustee to take any action under the Note Trust Deed.

The Note Trust Deed will contain provisions which, subject to the previous paragraph, limit the powers of (a) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, (b) the Class C Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders and the Class B Noteholders, (c) the Class D Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders and (d) the Class E Noteholders, *inter alia*, to pass any Extraordinary Resolution which might adversely affect the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

The Note Trust Deed will be governed by English law.

4. Issuer Deed of Charge

General

On or before the Closing Date, the Issuer will enter into a deed of charge (the **Issuer Deed of Charge**) with each of the Issuer Security Trustee, the Note Trustee, the Liquidity Bank, the Agent Bank, the Paying Agents, the Account Bank, the Corporate Services Provider, the Servicer, the Special Servicer and the Initial Lenders (together with the Noteholders, the Couponholders and any appointee of the Issuer Security Trustee or the Note Trustee, the **Issuer Secured Creditors**) pursuant to which the Issuer will grant security in respect of its obligations, including the Notes. The Issuer expects that the appointment of an administrative receiver by the Issuer Security Trustee under the Issuer Deed of Charge will not be prohibited by Section 72A of the Insolvency Act 1986 as the appointment will fall within the exception set out under Section 72B of the Insolvency Act 1986 (First Exception: Capital Market).

Security

Under the Issuer Deed of Charge, the Issuer will grant the following security in favour of the Issuer Security Trustee who holds or will hold such security on trust for the benefit of itself and the other Issuer Secured Creditors:

- (a) an assignment by way of first fixed security of its right, title, interest and benefit, present and future, in, to and under:
 - (i) each Loan Sale Document;
 - (ii) the Servicing Agreement;
 - (iii) the Subscription Agreement;
 - (iv) the Liquidity Facility Agreement;
 - (v) the Note Trust Deed;
 - (vi) the Agency Agreement;
 - (vii) the Corporate Services Agreement;
 - (viii) the Bank Account Agreement; and
 - (ix) the Master Definitions Schedule;
- (b) an assignment by way of first fixed security over all of its right, title, interest and benefit, present and future, under each Finance Document;
- (c) a charge by way of first fixed security over all of its right, title, interest and benefit, present and future, in and to the amounts from time to time standing to the credit of each Issuer Account;
- (d) an assignment by way of first fixed security over all of its right, title, interest and benefit, present and future, in and to all Eligible Investments (permitted to be made by or on behalf of the Issuer); and
- (e) a first floating charge over all of the property, assets and undertaking of the Issuer not already subject to fixed security,

(together, the **Issuer Security**), all as more particularly set out in the Issuer Deed of Charge.

The Issuer Security Trustee shall not, and shall not be bound to, take proceedings against the Issuer or any other person to enforce the provisions of the Issuer Deed of Charge or any of the other Transaction Documents or any other action thereunder unless:

- (a) it shall have been directed or requested to do so 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 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 Note Trustee and the Issuer Security Trustee) will agree in the Issuer Deed of Charge that, unless an Acceleration Notice has been served, or the Note Trustee, having become bound to serve an Acceleration 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** (Events 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 Issuer Security 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 Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (ii) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are selected by the Issuer Security Trustee, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (iii) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been secured and/or indemnified to its satisfaction.

The Issuer Deed of Charge will be governed by English law.

5. Bank Account Agreement

The Issuer, the Servicer, the Account Bank and the Issuer Security Trustee will each enter into an agreement (the **Bank Account Agreement**) on or before the Closing Date pursuant to which the Issuer will establish the following bank accounts:

- (a) an account (the **Issuer Revenue Account**) into which all amounts of interest and other amounts (other than principal or premium) received in connection with the Loan or the Loan Security are required to be paid;
- (b) an account (the **Issuer Principal Account**) into which all amounts of principal and prepayment fees (if any) received in connection with the Loan or the Loan Security are required to be paid; and
- (c) an account (the **Issuer Share Capital Account** and, together with the Issuer Revenue Account, the Issuer Principal Account and any other accounts maintained by the Issuer in accordance with the terms of the Transaction Documents from time to time, the **Issuer Accounts**) into which the subscription monies in respect of the shares in the Issuer are required to be paid.

The Servicer will be responsible, pursuant to the terms of the Servicing Agreement, for ensuring that the amounts received in connection with the Loan or the Loan Security are paid into the relevant Issuer Accounts. Payments out of the Issuer Accounts will be made in accordance with the provisions of the Issuer Deed of Charge as described under “*Transaction Documents – Cashflows*” below.

If the Account Bank ceases to be an **Eligible Bank** (being a UK bank or a UK branch of a bank the short-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least “F1” (or better) by Fitch, “P-1” (or better) by Moody’s and “A-1+” (or better) by S&P for its short term debt obligations and “A” (or better) by Fitch, “A1” (or better) by Moody’s and “AA-” (or better) by S&P for its long-term debt obligations, 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 Issuer Security Trustee.

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

The Bank Account Agreement will be governed by English law.

6. Corporate Services Agreement

The Issuer, the Corporate Services Provider, the Share Trustee and the Issuer Security Trustee will each enter into a services agreement (the **Corporate Services Agreement**) on or before 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 a fee for the provision of such services.

The Corporate Services Agreement will be governed by English law.

7. Agency Agreement

Pursuant to an agency agreement to be entered into on or prior to the Closing Date (the **Agency Agreement**) between the Issuer, the Note Trustee, the Principal Paying Agent, the Irish Paying Agent and the Agent Bank, provision will be made for, *inter alia*, payment of principal, premium (if any) and interest in respect of the Notes of each Class.

The Agency Agreement will be governed by English law.

8. Master Definitions Schedule

On or prior to the Closing Date, each of the Issuer, the Note Trustee, the Issuer Security Trustee, the Account Bank, the Liquidity Bank, the Servicer, the Special Servicer, the Agent Bank, the Paying Agents and the Corporate Services Provider will sign, for the purposes of identification only, a definitions schedule (the **Master Definitions Schedule**) incorporating the definitions applicable to each of the Transaction Documents where not otherwise defined therein.

9. Cashflows

The payment priorities in respect of the Issuer Accounts will be set out in the Issuer Deed of Charge. Prior to the enforcement of the Issuer Security, the Servicer will be responsible for making any payments of principal or prepayment on the Notes from the Issuer Principal Account (in accordance with the Pre-Enforcement Principal Priority of Payments) and for making payments of, *inter alia*, interest on the Notes from the Issuer Revenue Account (in accordance with the Pre-Enforcement Revenue Priority of Payments). Following the enforcement of the Issuer Security, the Issuer Security Trustee will be responsible for making payments of principal and interest on the Notes in accordance with the Post-Enforcement Priority of Payments.

Payments out of the Issuer Revenue Account – Priority Amounts

Prior to the enforcement of the Issuer Security the Servicer will pay, out of funds standing to the credit of the Issuer Revenue Account, sums due to third parties (other than the Servicer, the Special Servicer, the Liquidity Bank, the Corporate Services Provider, the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Agent Bank or the Account Bank), including the Issuer's liability, if any, to taxation (the **Priority Amounts**), on a date other than an Interest Payment Date under obligations incurred in the course of the Issuer's business.

Pre-Enforcement Revenue Priority of Payments

Prior to the enforcement of the Issuer Security, the Servicer will, on each Interest Payment Date, apply Adjusted Available Issuer Income from the Issuer Revenue Account in the following order of priority (the **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 Note Trustee and the Issuer Security Trustee and any person appointed by the Note Trustee under the Note Trust Deed or by the Issuer Security Trustee under the Issuer Deed of Charge;
- (b) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank under the Agency 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*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts in respect of a Workout Fee or Liquidation Fee);

- (d) in or towards satisfaction, *pro rata* according to amounts then due, of any amounts due and payable by the Issuer on such Interest Payment Date to:
 - (i) the Corporate Services Provider under the Corporate Services Agreement; and
 - (ii) the Account Bank under the Bank Account Agreement;
- (e) in or towards payment, *pro rata*, of any amounts that the Issuer has agreed to pay to the Borrower in respect of any Hedging Loans on such Interest Payment Date;
- (f) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (g) in or towards payment or discharge of sums due to third parties (other than Priority Amounts) under obligations incurred in the course of the Issuer's business;
- (h) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (i) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (j) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (k) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (l) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class E Notes;
- (m) in or towards payment of any Liquidity Subordinated Amounts payable to the Liquidity Bank;
- (n) in or towards payment of any amounts payable by the Issuer on such Interest Payment Date to the Special Servicer in respect of the Liquidation Fee or the Workout Fee;
- (o) in or towards payment of any amounts in respect of Deferred Consideration to the Initial Lenders; and
- (p) any surplus to the Issuer.

Pre-Enforcement Principal Priority of Payments

Prior to the enforcement of the Issuer Security, the Servicer will, on each Interest Payment Date, apply any receipts of principal and prepayment fees from the Issuer Principal Account in the order of priority (the **Pre-Enforcement Principal 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) set out in the relevant paragraph of **Condition 6.2** (Redemption for taxation or other reasons) or **6.3** (Mandatory redemption in whole or in part).

Post-Enforcement Priority of Payments

The Issuer Security will become enforceable upon the occurrence of a Note Event of Default. Following the enforcement of the Issuer Security, the Issuer Security Trustee will be required to apply all funds received or recovered by it in accordance with the following order of priority (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the **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 Issuer Deed of Charge:

- (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 Note Trustee and the Issuer Security Trustee and any receiver or other person appointed by either of them under the Note Trust Deed and/or the Issuer Deed of Charge (as the case may be);
- (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 and not paid 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;
- (c) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts described in respect of a Workout Fee or a Liquidation Fee below);
 - (d) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to:
 - (i) the Corporate Services Provider under the Corporate Services Agreement; and
 - (ii) the Account Bank under the Bank Account Agreement;
 - (e) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts payable by the Issuer to the Borrower in respect of any Hedging Loans;
 - (f) in or towards satisfaction of any amounts due and payable by the Issuer to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
 - (g) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
 - (h) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
 - (i) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
 - (j) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
 - (k) in or towards payment of any principal and interest due and interest overdue (and all interest due on such overdue interest) on the Class E Notes;
 - (l) in or towards payment of any Liquidity Subordinated Amounts;
 - (m) in or towards payment of any amounts payable by the Issuer to the Special Servicer in respect of the Liquidation Fee or the Workout Fee;
 - (n) in or towards payment of any amounts in respect of Deferred Consideration to the Initial Lenders; and
 - (o) any surplus to the Issuer.

SERVICING

The Servicer

Each of the Issuer and the Issuer Security Trustee will appoint Eurohypo AG, London Branch acting through its office at 4th Floor, 90 Long Acre, London WC2E 9RA (**Eurohypo**) under the terms of a servicing agreement dated on or before the Closing Date (the **Servicing Agreement**) as the initial servicer of the Loan and to have responsibility for, among other things, the investment and application of monies in accordance with the relevant Priority of Payments. The Servicer will perform the day-to-day servicing of the Loan and will continue to service other commercial mortgage loans in addition to the Loan.

Each of the Issuer and the Issuer Security Trustee will appoint the Servicer to be its agent to provide certain cash management services in relation to the Issuer Accounts as more particularly described below.

Servicing of the Loan

Servicing procedures will include monitoring compliance with and administering the options available to the Borrower under the terms and conditions of the Credit Agreement. The Servicer and (where applicable) the Special Servicer will agree to service the Loan in the best interests, and for the benefit of, all of the Noteholders (as determined by the Servicer or the Special Servicer, as the case may be, in its good faith and reasonable judgement) and in accordance with all applicable law and regulatory requirements and shall take all measures it deems necessary or appropriate in its due professional discretion to administer and collect the Loan provided that (i) to the extent that the Servicer or the Special Servicer, as the case may be, is Eurohypo, such servicing shall be carried out in accordance with Eurohypo's usual administrative policies and procedures from time to time and in the same manner as Eurohypo services commercial mortgage loans which have not been sold but remain on the books of and are beneficially owned by Eurohypo; and in so doing shall exercise the standard of care of a reasonably prudent commercial mortgage lender; (ii) to the extent that the Servicer or the Special Servicer, as the case may be, is not Eurohypo, such servicing shall be carried out in accordance with the standard of care as is normal and usual in general mortgage servicing activities with respect to comparable mortgage loans for other third-party lenders or for its own account, whichever is higher, and, in either case, in particular, and, on the occurrence of a Loan Event of Default, the administration of enforcement procedures with a view to the maximisation of recoveries available to the Noteholders (taking into account the likelihood of recovery of amounts due from the Borrower, the timing of any such recovery and the costs of recovery) as determined by the Servicer or the Special Servicer, as the case may be, in its reasonable judgement (the **Servicing Standard**).

Consultation with, and appointment of, the Special Servicer

The Servicer will give notice to the Special Servicer and will consult with the Special Servicer in relation to the future servicing or exercise of rights in respect of the Loan and/or the Loan Security promptly upon any of the following events:

- (a) a payment default in respect of the Loan on its maturity (whether the Servicer has consented to the extension of the maturity date in accordance with the terms of the Credit Agreement or not); or
- (b) any scheduled payment due and payable in respect of the Loan being delinquent for up to 60 days past its due date; or
- (c) any Obligor being in breach of any covenant (other than a material covenant) under the Credit Agreement (a covenant being material for the purposes of this **paragraph (c)** if a breach of it materially impairs or could materially impair the use or the marketability of any of the Properties or the value thereof as security for the Loan).

The Servicer or the Special Servicer, as applicable, will promptly give notice to the Issuer, the Issuer Security Trustee, the Rating Agencies and the Special Servicer (where applicable) of the occurrence of any Special Servicing Event. Upon the delivery of such notice, the Issuer or the Issuer Security Trustee (as the case may be) will, subject as specified below, appoint the Special Servicer to act as Special Servicer on behalf of the Issuer or the Issuer Security Trustee (as appropriate) in relation to the Loan and the Loan will become **specially serviced**.

A **Special Servicing Event** will be the occurrence of any of the following:

- (a) a payment default occurring with regards to any payment due on the maturity of the Loan (taking into account any permitted extensions to its maturity);
- (b) a scheduled payment due and payable in respect of the Loan being delinquent for more than 60 days past its due date;
- (c) the Issuer, the Issuer Security Trustee, the Servicer or the Special Servicer receiving notice of the enforcement of the Loan Security;
- (d) insolvency or bankruptcy proceedings being commenced in respect of any Obligor;
- (e) in the Servicer's opinion a breach of a material covenant under the Credit Agreement occurring or, to the knowledge of the Servicer, being likely to occur, and in the Servicer's opinion such breach is not likely to be cured within 60 days of its occurrence;
- (f) any Obligor notifying the Facility Agent, the Issuer or the Issuer Security 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
- (g) any other Loan Event of Default occurring that, in the good faith and reasonable judgement of the Servicer, materially impairs or could materially impair the use or the marketability of the Properties or the value thereof as security for the Loan.

On the appointment of the Special Servicer in respect of the Loan, the Servicer shall cease to be subject to the obligations of the Servicer in respect of the Loan under the Servicing Agreement except where otherwise provided.

Arrears and default procedures

The Servicer will collect, or the Servicer or the Special Servicer, as applicable, will instruct the Facility Agent to collect, all payments due under or in connection with the Loan.

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Loan. The Servicer and, as applicable, the Special Servicer will be required to use all reasonable endeavours to recover amounts due from the Borrower should it default. Each of the Servicer and the Special Servicer will agree, in relation to any default under or in connection with the Loan and the Loan Security, to comply with the procedures for enforcement of the Loan and the Loan Security of the Servicer or the Special Servicer, as the case may be, current from time to time. In the case of a Loan Event of Default which has not been waived or remedied, the Servicer will be obliged to instruct (on behalf of the Issuer) the Facility Agent to declare the Loan to be immediately due and payable and to make a demand under the Property Trustee's guarantee. In these circumstances, the Servicer or the Special Servicer, as applicable, will be required to consider based on (amongst others) the nature of the default, the status of the Borrower and the nature and value of the relevant Property, what internal reviews and reporting requirements are needed in respect of the Loan, and which enforcement procedures are appropriate. Such procedures for enforcement include the giving of instructions to the Facility Agent as to how to enforce the security held by the Facility Agent pursuant to the Loan Security.

Amendments to the Finance Documents

The Servicer or the Special Servicer, as applicable, on behalf of the Issuer and the Issuer Security Trustee may (but will not be obliged to) in accordance with the Servicing Standard agree to any request by the Facility Agent or the Borrower, as applicable, to vary or amend the terms and conditions of the Finance Documents provided that:

- (a) the variation or amendment consists of one or more of the following:
 - (i) the release of the Loan Security or any part thereof which may, at the option of the Servicer or the Special Servicer, as applicable, be on the basis that alternative security is provided by the Obligor which is acceptable to the Servicer or the Special Servicer acting in accordance with the Servicing Standard; or
 - (ii) any other variation or amendment which would be acceptable to a reasonably prudent commercial mortgage lender acting in accordance with the Servicing Standard;

- (b) no Acceleration Notice has been given by the Note Trustee which remains in effect at the date on which the relevant variation or amendment is agreed;
- (c) the Issuer will not be required to make a further advance including, without limitation, any deferral of interest because of the relevant variation or amendment;
- (d) the effect of such variation or amendment would not be to extend the final maturity date of the Loan beyond October 2011 unless the Servicer or the Special Servicer, as applicable, shall have first received written confirmation from each of the Rating Agencies that the then current ratings of the Notes will not be adversely affected by such extension;
- (e) the Loan Security will continue to include a full first ranking mortgage over the legal and beneficial interest in all of the Properties;
- (f) notice of any such amendment or variation is given to the Rating Agencies and prior written confirmation shall have been received by the Servicer or the Special Servicer, as applicable, from each of the Rating Agencies that any variation or amendment to any of the terms and conditions of the Finance Documents that is likely, in the reasonable determination of the Servicer or the Special Servicer, as the case may be, to have a material adverse effect on the Noteholders (it being agreed that a reduction in the interest rate or principal balance of the Loan or any waiver or postponement of the same is likely to have such an effect) will not result in the then current ratings of any of the Notes being adversely affected; and
- (g) if Eurohypo is not the Special Servicer, notice of any such amendment or variation is given to the Special Servicer.

With the prior written consent of the Issuer Security Trustee, the Servicer or the Special Servicer, as applicable, may (but will not be obliged to) agree to any request by the Facility Agent or an Obligor to vary or amend the terms and conditions of the Finance Documents where any of the above conditions (other than the conditions specified in **paragraphs (d), (f) and (g)** above) are not satisfied in respect of the relevant variation or amendment.

Calculation of amounts and payments

On each **Calculation Date** (being the second Business Day prior to the relevant Interest Payment Date), the Servicer will be required to determine the various amounts required to pay interest and principal due on the Notes on the forthcoming Interest Payment Date and all other amounts then payable by the Issuer, and the amounts expected to be available to make such payments. In addition, the Servicer will calculate the Principal Amount Outstanding for each Class of Notes for the Interest Period commencing on such forthcoming Interest Payment Date.

On each Calculation Date, the Servicer must determine, in accordance with the terms of the Servicing Agreement, the amount of Available Issuer Income and the amounts to be paid under the Pre-Enforcement Revenue Priority of Payments on the next Interest Payment Date. If the Servicer, acting on the basis of information provided to it, determines that the amount of Available Issuer Income, less any Priority Amounts paid since the immediately preceding Interest Payment Date or due to be paid by the Issuer prior to the next Interest Payment Date, will be insufficient to make payments set out under **paragraphs (a) to (l)** of the Pre-Enforcement Revenue Priority of Payments, the Servicer will direct the Issuer to make an Income Deficiency Drawing under the Liquidity Facility (see "*Transaction Documents – Liquidity Facility*" above).

On the relevant Interest Payment Date, the Servicer will apply Adjusted Available Issuer Income in accordance with the Pre-Enforcement Revenue Priority of Payments. Subject to receipt of funds from the Borrower, the Servicer will, prior to the enforcement of the Issuer Security, make all payments required to carry out a redemption of Notes pursuant to **Condition 6.2** (Redemption for taxation or other reasons) or **Condition 6.3** (Mandatory redemption in whole or in part), in each case according to the provisions of the relevant Condition from the Issuer Principal Account. See further "*Terms and Conditions of the Notes*".

Servicer quarterly report

Pursuant to the Servicing Agreement, the Servicer will agree to deliver to the Issuer, the Issuer Security Trustee, the Special Servicer and the Rating Agencies a report in respect of each Calculation Date in which it will notify the recipients of, among other things, all amounts received in the Issuer's Accounts and payments made with respect thereto. The report will contain the monthly arrears report and will also include qualitative and quantitative information on the Loan, including details of any material changes that may affect credit quality and the details of any delegation of any of the Servicer's and/or Special Servicer's obligations or duties.

Insurance

The Servicer will procure that the Facility Agent monitors the arrangements for insurance which relate to the Loan and the Loan Security and establishes and maintains procedures to ensure that all buildings insurance policies in respect of the Properties are renewed on a timely basis.

To the extent that the Issuer and/or the Issuer Security Trustee has power to do so under a policy of buildings insurance, the Servicer will, as soon as practicable after becoming aware of any occurrence of any event giving rise to a claim under such policy, procure that the Facility Agent prepares and submits such claim on behalf of the Issuer and/or the Issuer Security Trustee in accordance with the terms and conditions of such policy and complies with any requirements of the relevant insurer.

The Servicer will use reasonable endeavours to procure that the Borrower complies with the obligations in respect of insurance in accordance with the terms of the Credit Agreement. If the Servicer becomes aware that the Borrower has failed to pay premiums due under any policy of buildings insurance the Servicer will instruct the Facility Agent to take such action as the Issuer and/or the Issuer Security Trustee shall reasonably direct and in the absence of such direction will, on behalf of the Issuer or the Issuer Security Trustee, instruct the Facility Agent to pay premiums due and payable under any policy of buildings insurance in order that the cover provided by such 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 Credit Agreement, the Servicer will instruct the Facility Agent, at the cost of the Issuer, to arrange such insurance in accordance with the terms of the Credit Agreement. Under the terms of the Credit Agreement, the Borrower is required to reimburse the Issuer for such costs of insurance. See also "*Risk Factors - Insurance*".

Fees

The Servicer will be entitled to receive a fee for servicing the Loan. On each Interest Payment Date the Issuer will pay to the Servicer a servicing fee (the **Servicing Fee**) equal to 0.035 per cent. per annum (inclusive of value added tax) of the principal balance of the Loan but only to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments (see further "*Transaction Documents - Cashflows*"). The unpaid balance (if any) will be carried forward until the next succeeding Interest Payment Date and, if not paid before such time, will be payable on the final Interest Payment Date of the latest maturing Class of Notes or on the earlier redemption in full of the Notes by the Issuer. The Servicing Agreement will also provide for the Servicer to be reimbursed for all reasonable out-of-pocket expenses and charges properly incurred by the Servicer in the performance of its services under the Servicing Agreement.

Pursuant to the Servicing Agreement, if the Special Servicer is appointed in respect of the Loan, the Issuer will be required to pay to the Special Servicer a fee (the **Special Servicing Fee**) equal to 0.25 per cent. per annum (exclusive of value added tax) of the then principal balance of the Loan but only to the extent that the Issuer has sufficient funds to pay such amount as provided in "*Transaction Documents - Cashflows*" for a period commencing on the date the Special Servicer becomes specially serviced and ending on the date on which the properties are sold on enforcement or the date on which the Loan is deemed to be corrected.

The Loan will be deemed to be **corrected** if any of the following occurs with respect to the circumstances identified as having caused the Special Servicer to be appointed and the Loan has been transferred back to the control of the Servicer (and provided that no other Special Servicing Event then exists with respect to the Loan):

- (a) with respect to the circumstances described in items (a) and (b) in the definition of Special Servicing Event, the Borrower has made one timely quarterly payment in full;
- (b) with respect to the circumstances described in items (c) and (d) in the definition of Special Servicing Event such proceedings are terminated;
- (c) with respect to the circumstances described in item (e) in the definition of Special Servicing Event such circumstances cease to exist in the good faith and reasonable judgement of the Special Servicer;
- (d) with respect to the circumstances described in item (f) 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 (g) 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 Interest Payment Date commencing with the Interest Payment Date following the date on which such period begins and ending on the Interest Payment Date following the end of such period.

In addition to the Special Servicing Fee, the Special Servicer will be entitled to a fee (the **Liquidation Fee**) in respect of the Loan equal to an amount of 1.00 per cent. (exclusive of value added tax) of the proceeds (net of all costs and expenses incurred as a result of the default of the Loan, enforcement and sale), if any, arising on the sale of any Property or on or out of the application of any other enforcement procedures or other actions taken by the Special Servicer in respect of the Loan.

In addition to the Special Servicing Fee and the Liquidation Fee (if any) in respect of the Loan, the Special Servicer will be entitled to receive a fee (the **Workout Fee**) in consideration of providing services in relation to the Loan when it is deemed to be corrected. When the Loan is deemed to be corrected, the Workout Fee shall be equal to 1.00 per cent. of each collection of principal and interest received on the 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 Loan to below the amount of principal outstanding under the Loan at the date it was first deemed to be corrected) for so long as it continues to be deemed corrected. The Workout Fee with respect to the Loan will cease to be payable if the Loan is no longer deemed to be corrected, but the Workout Fee will become payable if and when the Loan is again deemed to be corrected. Non-payment of the Workout Fee will not entitle the Special Servicer to terminate the arrangements under the Servicing Agreement.

The Liquidation Fee and the Workout Fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in the relevant Priority of Payments (see further "*Transaction Documents – Cashflows*").

Removal or resignation of the Servicer or the Special Servicer

The appointment of the Servicer or the Special Servicer, as applicable, may be terminated by the Issuer Security Trustee and/or by the Issuer (with the consent of the Issuer Security Trustee) upon written notice to the Servicer or the Special Servicer, as the case may be, on the occurrence of certain events (each a **Servicing Termination Event**), including if:

- (a) the 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 Business Days of such time or (ii) if the 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 10 Business Days after the Servicer becomes aware of the default;
- (b) subject as provided further in the Transaction Documents, the 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 Issuer Security Trustee is materially prejudicial to the interests of the holders of the Notes and such failure either is not remediable or is not remedied for a period of 30 Business Days after the earlier of the 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 Servicer or the Special Servicer, as applicable, by the Issuer or the Issuer Security Trustee;

- (c) at any time the Servicer or the Special Servicer, as applicable, fails to obtain or maintain the necessary licenses or regulatory approvals enabling it to continue servicing the Loan; or
- (d) the occurrence of an insolvency event in relation to the Servicer or the Special Servicer.

In addition, if the Loan has been designated specially serviced and the Issuer is so instructed by the Controlling Party, the Issuer will terminate the appointment of the person then acting as special servicer 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).

Controlling Party means, at any time:

- (a) the holders of the most junior Class of Notes then having 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 Class of Notes.

Prior to or contemporaneously with any termination of the appointment of the Servicer or the Special Servicer, as the case may be, it would first be necessary for the Issuer and the Issuer Security Trustee to appoint a substitute servicer or substitute special servicer, as the case may be, approved by the Issuer Security Trustee.

In addition, subject to the fulfilment of certain conditions including, without limitation, that a substitute servicer or substitute special servicer, as the case may be, has been appointed, the Servicer or Special Servicer, as the case may be, may voluntarily resign by giving not less than three months' notice of termination to the Issuer, the Facility Agent and the Issuer Security Trustee.

Any such substitute servicer or substitute special servicer (whether appointed upon a termination of the appointment of, or the resignation of, the Servicer or Special Servicer, as the case may be) will be required to, have experience servicing loans secured on commercial mortgage properties in England and Wales 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 standard for such agreements in similar transactions at the time. Under the terms of the Servicing Agreement, the appointment of a substitute servicer or 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 the Notes unless otherwise agreed by Extraordinary Resolutions of each Class of Noteholders. Any costs incurred by the Issuer as a result of appointing any such substitute servicer or special servicer shall, save as specified above, be paid by the Servicer or Special Servicer (as the case may be) whose appointment is being terminated. The fee payable to any such substitute servicer or special servicer should not, without the prior written consent of the Issuer Security Trustee, exceed the amount payable to the 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 Servicer or Special Servicer, the Servicer or Special Servicer (as the case may be) must deliver any documents and all books of account and other records maintained by the Servicer or Special Servicer relating to the Loan and/or the Loan Security to, or at the direction of, the substitute servicer or special servicer and shall take such further action as the substitute servicer or substitute special servicer, as the case may be, shall reasonably request to enable the substitute servicer or the substitute special servicer, as the case may be, to perform the services due to be performed by the Servicer or the Special Servicer under the Servicing Agreement.

Appointment of the Controlling Class Representative

The Controlling Party may elect to appoint a representative (the **Controlling Class Representative**) to represent its interests and to advise the Special Servicer about the following matters in relation to the Loan:

- (a) the appointment of a receiver or similar actions to be taken in relation to the Loan;
- (b) the amendment, waiver or modification of any term of the Finance Documents which affects the amount payable by the Borrower or the time at which any amounts are payable, or any other material term of the Finance Documents; and

- (c) the release of any part of the Loan Security, or the acceptance of substitute or additional Loan Security other than in accordance with the terms of the Credit Agreement.

Before taking any action in connection with the matters referred to in **paragraphs (a) to (c)** above, the Special Servicer must notify the Controlling Class Representative of its intentions and must take due account of the advice and representations of the Controlling Class Representative, although if the Special Servicer determines that immediate action is necessary to protect the interests of the Noteholders, the Special Servicer may take whatever action it considers necessary without waiting for the Controlling Class Representative's response. If the Special Servicer does take such action and the Controlling Class Representative objects in writing to the actions so taken within 10 Business Days after being notified of the action and after being provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Controlling Class Representative regarding any further steps the Controlling Class Representative considers should be taken in the interests of the Controlling Party. The Controlling Class Representative will be considered to have approved any action taken by the Special Servicer without the prior approval of the Controlling Class Representative if it does not object within 10 Business Days. Furthermore, the Special Servicer will not be obliged to obtain the approval of the Controlling Class Representative for any actions to be taken with respect to the Loan if the Special Servicer has notified the Controlling Class Representative in writing of the actions that the Special Servicer proposes to take with respect to the Loan and, for 60 days following the first such notice, the Controlling Class Representative 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.

Delegation by the Servicer and Special Servicer

The Servicer or the Special Servicer, as applicable, may, in some circumstances including with the prior written consent of the Issuer Security Trustee and, in the case of the Servicer, with the prior written consent of the Special Servicer (where the Special Servicer is not Eurohypo) and after giving written notice to the Issuer Security Trustee and the Rating Agencies, delegate or sub-contract the performance of any of its obligations or duties under the Servicing Agreement. This shall not prevent the engagement on a case-by-case basis by the 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 Servicer or the Special Servicer, as applicable, of any of its respective functions or exercise of its power under the Servicing Agreement. Upon the appointment of any such delegate or subcontractor the Servicer or the Special Servicer, as the case may be, will nevertheless remain responsible for the performance of those duties to the Issuer and the Issuer Security Trustee.

Governing Law

The Servicing Agreement will be governed by English law.

LIQUIDITY BANK AND ACCOUNT BANK

The Royal Bank of Scotland plc will be appointed to act as Liquidity Bank and Account Bank pursuant to the terms of the Liquidity Facility Agreement and the Bank Account Agreement respectively.

The Royal Bank of Scotland Group plc

The Royal Bank of Scotland Group plc (the **Group**) is a diversified financial services group engaged in a wide range of banking, financial or finance related activities in the United Kingdom and internationally. The Group's operations are principally centred in the United Kingdom.

The Royal Bank of Scotland plc

The Group's principal operating subsidiary is The Royal Bank of Scotland plc (**RBS**). As of 31 January 2003 the entire issued ordinary share capital of National Westminster Bank Plc (**Natwest**) was transferred from the Group to RBS. Both RBS and Natwest are major UK clearing banks engaging principally in providing a comprehensive range of banking, insurance and other financial services and each controls, directs and promotes the operations of various subsidiary companies.

RBS was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc. At 31 December 2003 RBS had over 600 retail branches in the UK.

Natwest was incorporated in England in 1968 and was formed from a merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century. Natwest was acquired by the Group on 6 March 2000. At 31 December 2003, Natwest had over 1,600 retail branches in the United Kingdom.

As of 30 June 2004 the Group had total assets of £519 billion and total deposits of £338 billion. Shareholders' funds at 30 June 2004 were £32,408 million.

The short term, unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's Investors Service Limited (**Moody's**) and F1+ by Fitch. The long term, unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA+ by Fitch.

In its capacity as Account Bank, RBS will be acting through its branch at London Corporate Service Centre, PO Box 39552, 3rd Floor, 2½ Devonshire Street, London EC2M 4XJ. In its capacity as Liquidity Bank, RBS will be acting through its office at 135 Bishopsgate, London EC2M 3UR.

The information contained herein with respect to RBS and the Group has been obtained from it. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of RBS or the Group since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted because the Loan will, in certain circumstances, be prepayable and a number of other relevant factors are unknown.

Calculations of possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Loan is not sold by the Issuer;
- (b) the Loan does not default, is not prepaid (in whole or in part) nor is it enforced and no loss arises; and
- (c) the Closing Date is 22 October 2004,

then the approximate percentage of the initial principal amount outstanding of the Notes on each Interest Payment Date and the approximate average lives of the Notes would be as follows:

- (i) in respect of the Class A Notes, 7 years;
- (ii) in respect of the Class B Notes, 7 years;
- (iii) in respect of the Class C Notes, 7 years;
- (iv) in respect of the Class D Notes, 7 years; and
- (v) in respect of the Class E Notes, 7 years.

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

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

USE OF PROCEEDS

The gross and net proceeds from the issue of the Notes will be £300,000,000 and this sum will be applied by the Issuer towards payment to the Initial Lenders, pursuant to the terms of the Loan Sale Agreement, of the purchase consideration for the Loan and the related interests in the Loan Security. The fees and expenses in connection with the issue of the Notes will be met by the Borrower and the Loan Arrangers.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes in the form which (subject to modification) they will be set out in the Note Trust Deed. The Conditions set out below will apply to the Notes whether they are in definitive form (if issued) or in global form.

The issue of the £182,500,000 Class A Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class A Notes**), the £30,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class B Notes**), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class C Notes**), the £27,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class D Notes**) and the £30,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due October 2013 (the **Class E Notes** and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Notes**) by Epic Opera (Arlington) plc (the **Issuer**) was authorised by a resolution of the board of directors of the Issuer passed on 18 October 2004.

The Notes are constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Note Trust Deed**) dated 22 October 2004 (the **Closing Date**) made between the Issuer and The Bank of New York (the **Note Trustee**, which expression includes its successors as trustee or any further or other trustee(s) under the Note 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 from the Initial Lenders.

References herein to the Notes shall include reference to:

- (a) whilst the Notes are represented by a Global Note (as defined in **Condition 1.2** (Permanent Global Notes)), units of £50,000 (as reduced by any redemption in part of a Note pursuant to **Condition 6** (Redemption));
- (b) any Global Note; and
- (c) 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 Deferred Interest (as defined in **Condition 5.8** (Deferral of payment)) and interest thereon, unless the context otherwise requires.

The Noteholders and the holders of the Coupons (as defined in **Condition 2.2** (Title to and transfer of Definitive Notes)) (the **Couponholders**) 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, The Bank of New York 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 AIB/BNY Fund Management (Ireland) Limited 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 Note 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 Bank of New York (in such capacity, the **Issuer Security Trustee**).

The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Agency Agreement and the Issuer Deed of Charge applicable to them and all the provisions of the other Transaction Documents (including the Bank Account Agreement, the Servicing Agreement, the Liquidity Facility 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 Issuer Security Trustee on or about the Closing Date (the **Master Definitions Schedule**)) applicable to them.

The statements in these terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the other Transaction Documents. Capitalised terms used in these Conditions but not otherwise defined shall have the meanings set out in the Master Definitions Schedule.

As used in these Conditions:

- (a) a reference to a **Class** of Notes, or to the respective holders thereof, as applicable, shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes (and, unless the context otherwise requires, shall include in each case any Coupons appertaining thereto) or the respective Noteholders and Couponholders and Classes, in a similar context, shall be construed accordingly; and
- (b) **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 Note 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); or
 - (v) if no Class A Notes, Class B Notes, Class C Notes or Class D Notes are then outstanding, the Class E Notes (if, at any time, any Class E Notes are then outstanding).

Copies of each of the Transaction Documents to which the Note Trustee is a party are available to Noteholders for inspection at the specified office of each of the Principal Paying Agent and the Irish Paying Agent.

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**).

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. as operator of the Euroclear System (**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 40 days after the Closing Date (the **Exchange Date**), provided certification of non-U.S. beneficial ownership (**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 (as defined below).

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 a Class are represented by one or both Global Notes in respect of that Class, the Issuer, the Note 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 Note Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Note Trust Deed. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid, the Note Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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 any of the following applies:

- (i) 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 Note Trustee is available; or
- (ii) 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 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) and Coupons in respect of principal and interest which has not already been paid on such Global Note as provided in such Global Note.

2.2 Title to and transfer of Definitive Notes

Each Definitive Note shall be issued in bearer form, serially numbered, in the denomination of £50,000 each with (at the date of issue) interest coupons (**Coupons**, which expression includes talons for further Coupons (**Talons**), except where the context otherwise requires) attached.

Title to the Definitive Notes and Coupons will pass by delivery.

The Issuer, the Paying Agents and the Note Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Definitive Note and the holder of any Coupon as the absolute owner for all purposes (whether or not the Definitive Note or the Coupon 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 or Coupon) and the Issuer, the Note 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 PRIORITY OF PAYMENTS

3.1 Status and relationship between Classes of Notes

- (a) The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by assignments, charges and other fixed and floating security interests over all of the assets of the Issuer (as more particularly described in the Issuer Deed of Charge) (the **Issuer Charged**

Property) (such assignments, charges and fixed and floating security together, the **Issuer Security**). Notes of the same Class rank *pari passu* and rateably without any preference or priority amongst themselves.

- (b) In accordance with the provisions of this **Condition 3**, the Note Trust Deed and the Issuer Deed of Charge and save as otherwise provided in Condition 6.3 (Mandatory redemption in whole or in part) in relation to payment of principal, the Class A Notes will rank in priority to all other Classes of Notes in point of security and as to right of payment of principal and interest, the Class B Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes but will rank in priority to the Class C Notes, the Class D Notes and the Class E Notes in point of security and as to right of payment of principal and interest. The Class C Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes and the Class B Notes but will rank in priority to the Class D Notes and the Class E Notes in point of security and as to right of payment of principal and interest. The Class D Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes and the Class C Notes but will rank in priority to the Class E Notes in point of security and as to right of payment of principal and interest. The Class E Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.
- (c) In connection with the exercise of the powers, trusts, authorities, duties and discretions vested in it by the Note Trust Deed and the other Transaction Documents, each of the Note Trustee and the Issuer Security Trustee shall:
- (i) except where expressly provided otherwise, have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders equally PROVIDED THAT if in the opinion of the Note Trustee or the Issuer Security Trustee (as the case may be) (1) (for so long as there are any Class A Notes outstanding) there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders on the other hand, it shall have regard only to the interests of the Class A Noteholders, (2) (for so long as there are any Class B Notes outstanding) there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders, it shall, subject to (1) above, have regard only to the interests of the Class B Noteholders, (3) (for so long as there are any Class C Notes outstanding) there is a conflict between the interests of the Class C Noteholders and the interests of the Class D Noteholders and/or the Class E Noteholders, it shall, subject to (1) and (2) above, have regard only to the interests of the Class C Noteholders and (4) (for so long as there are any Class D Notes outstanding) there is a conflict between the interests of the Class D Noteholders and the interests of the Class E Noteholders, it shall, subject to (1), (2) and (3) above, have regard only to the interests of the Class D Noteholders, but so that this proviso shall not apply in the case of powers, trusts, authorities, duties and discretions:
- (A) in relation to which it is expressly stated that they may be exercised by the Note Trustee only if in its opinion the interests of the Noteholders would not be materially prejudiced thereby; or
- (B) the exercise of which by the Note Trustee relates to any Basic Terms Modification, in which event the Note Trustee may exercise such powers, trusts, authorities, duties and discretions only if it is satisfied that to do so will not be materially prejudicial to the interests of the Noteholders of any Class that will be affected thereby;
- (ii) where it is required to have regard to the interests of the Noteholders (or any Class thereof), it shall have regard to the interests of such Noteholders (or such Class) as a Class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences thereof for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory and the Note Trustee shall not be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders; and

- (iii) except where expressly provided otherwise, have regard only to the interests of the Noteholders and shall not be required to have regard to the interests of any Issuer Secured Creditor or any other person or to act upon or comply with any direction or request of any Issuer Secured Creditor or any other person whilst any amount remains owing to any Noteholder.

As used in these Conditions, **Issuer Secured Creditors** means the Noteholders, the Couponholders, the Note Trustee, the Issuer Security Trustee, any appointee of the Note Trustee or the Issuer Security Trustee, the Servicer, the Special Servicer, the Corporate Services Provider, the Liquidity Bank, the Account Bank, the Initial Lenders, the Principal Paying Agent, the Agent Bank, the Irish Paying Agent and any other Paying Agent.

3.2 Issuer Security and Priority of Payments

The Issuer Security in respect of the Notes and Coupons and the payment obligations of the Issuer under the Transaction Documents is set out in the Issuer Deed of Charge. The Servicing Agreement contains provisions regulating the priority of application of the Issuer Charged Property by the Servicer (and proceeds thereof) among the persons entitled thereto prior to the Issuer Security becoming enforceable and the Issuer Deed of Charge contains provisions regulating such application by the Issuer Security Trustee after the Issuer Security has become enforceable.

The Issuer Security will become enforceable on the occurrence 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 Issuer Security 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 Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (b) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are selected by the Issuer Security Trustee, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (c) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been secured and/or indemnified to its satisfaction.

4. COVENANTS

4.1 Restrictions

Save with the prior written consent of the Issuer Security Trustee or as provided in these Conditions or as permitted by the 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, 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 (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 undertaking 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 Transaction Documents provide or envisage 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 Issuer Security Trustee so as to form part of the Issuer Security;
 - (iii) have any subsidiaries;
 - (iv) own or lease any premises or have any employees;
 - (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 of 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 and 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 Transaction Documents, in form and substance satisfactory to the Issuer Security 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 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** (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 the Noteholders;
 - (iv) all persons required by the Issuer Security Trustee shall have executed and delivered such documentation as the Issuer Security Trustee may require;
 - (v) the Issuer shall have delivered to the Issuer Security Trustee a legal opinion of English lawyers acceptable to the Issuer Security Trustee in a form acceptable to the Issuer Security Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instruments and other documents comply with **paragraphs (i), (ii), (iii) and (iv)** above and are binding on the Issuer (or any successor thereto);
 - (vi) the then current ratings of the Notes are unaffected 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 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) *VAT*

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

(i) *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; or

(j) *Other*

cause or permit the validity or effectiveness of any of the 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 Note Trust Deed, the Issuer Deed of Charge or any of the other Transaction Documents, or dispose of any part of the Issuer Charged Property.

In giving any consent to the foregoing, the Issuer Security Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Issuer Security Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies has provided written confirmation to the Issuer Security Trustee that the then applicable ratings of each Class of Notes then rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

4.2 *Servicer*

- (a) So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a servicer for the servicing of the Loan (as defined in the Master Definitions Schedule) and the performance of the other administrative duties set out in the Servicing Agreement.
- (b) The Servicing Agreement will provide that (i) the Servicer will not be permitted to terminate its appointment unless a replacement servicer acceptable to the Issuer and the Issuer Security Trustee has been appointed and (ii) the appointment of the Servicer may be terminated by the Issuer Security Trustee if, among other things, the 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 Business Days after written notice of such default shall have been served on the Servicer by the Issuer or the Issuer Security Trustee.

4.3 *Special Servicer*

If (a) the Loan has become specially serviced in accordance with the Servicing Agreement and (b) any Class of Noteholders is the Controlling Party, then the Issuer, upon being so instructed by an Extraordinary Resolution of that Class, will exercise its rights under the Servicing Agreement to appoint a substitute or successor special servicer in respect of the Loan subject to the conditions of the Servicing Agreement.

Controlling Party means, at any time:

- (a) the holders of the most junior Class of Notes then having 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 Class of Notes.

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

4.4 *Controlling Class Representative*

If any Class of Noteholders is the Controlling Party, it may, by an Extraordinary Resolution passed by the relevant Class of Noteholders, appoint an adviser (the **Controlling Class Representative**) with whom the Servicer or Special Servicer, as the case may be, will be required to liaise in accordance with the terms of the Servicing Agreement.

5. **INTEREST**

5.1 *Period of accrual*

The Notes will bear interest from (and including) the Closing Date. Interest 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 will continue to accrue as provided in the Note Trust Deed.

5.2 *Interest Payment Dates and Interest Periods*

Interest on the Notes is, subject as provided below in relation to the first payment, payable quarterly in arrear on 28 January, 28 April, 28 July and 28 October in each year or, if any such day is not a Business Day (as defined below), the next succeeding Business Day (unless that succeeding Business Day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day) (each, an **Interest Payment Date**). The first such payment is due on the Interest Payment Date falling in January 2005 in respect of the period from (and including) the Closing Date to (but excluding) that Interest Payment Date. Each period from (and including) an Interest Payment Date (or the Closing Date, in the case of the first Interest Period) to (but excluding) the next (or, in the case of the first Interest Period, the first) Interest Payment Date is in these Conditions called an **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 Business Day that falls on the first day of each Interest Period (each, an **Interest Determination Date**), determine the Rate of Interest applicable to, and calculate the amount of interest payable on each of the Notes (each payment so calculated, an **Interest Payment**), for the next Interest Period. The Rate of Interest applicable to the Notes of each Class for any 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 0.23 per cent. per annum;
 - (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.38 per cent. per annum;
 - (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.58 per cent. per annum;
 - (iv) in the case of the Class D Notes, LIBOR (as so determined) plus a margin of 0.68 per cent. per annum; and
 - (v) in the case of the Class E Notes, LIBOR (as so determined) plus a margin of 1.05 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 Interest Period divided by 365 and rounding the resultant figure to the nearest penny (fractions of half a penny being rounded upwards).

For the purposes of these Conditions:

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 such Interest Period, a linear interpolation of the rate for three month and four month sterling deposits) in the London inter-bank market which appears on LIBOR 01 Reuters (or (x) such other page as may replace LIBOR 01 Reuters on that service for the purpose of displaying such information or (y) if that service ceases to display such information, Moneyline Telerate Screen No. 3750) (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, 0.00005 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 are offered for the same period as that 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 date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for three and four 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 Note Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the sole opinion of the Note Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Closing Date or the relevant Interest Payment Date, as the case may be, for loans in sterling to leading London banks for a period of three months or, in the case of the first Interest Period, the same as the relevant Interest Period.

- (c) There will be no minimum or maximum Rate of Interest.

5.4 Publication of Rate of Interest and Interest Payments

The Agent Bank will cause the Rate of Interest and the Interest Payment relating to each Class of Notes for each Interest Period and the Interest Payment Date to be forthwith notified to the Issuer, the Note Trustee, the Servicer, the Paying Agents, the Noteholders and, for so long as the Notes are listed on the Irish Stock Exchange Limited (the **Stock Exchange**), the Stock Exchange within two Business Days of the relevant Interest Determination Date. The Interest Payments and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Interest Period.

5.5 Determination or calculation by Note 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, the Note 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 Note Trustee shall calculate the Interest Payment in accordance with **Condition 5.3** (Rates of Interest) above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

5.6 *Notification to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Note 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 Note Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Paying Agents or the Note Trustee in connection with the exercise by them or any of their powers, duties and discretions under this Condition.

5.7 *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 Note 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 Note 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 by the Note Trustee has been appointed.

5.8 *Deferral of payment*

Interest on the Notes is payable subject to, and in accordance with the order of priorities set out in, the Pre-Enforcement Revenue Priority of Payments. If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any Deferred Interest (as defined below) and accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes, the Class D Notes and/or the Class E Notes after having paid or provided for items of higher priority, then:

- (a) the Issuer shall be entitled (unless there are then no Class A Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class B Notes:
 - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(a)(i)**) in respect of the Class C Notes, the Class D Notes, and the Class E Notes; and
 - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class B Notes;
- (b) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class C Notes:
 - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(b)(i)**) in respect of the Class D Notes and the Class E Notes; and
 - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class C Notes;
- (c) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class D Notes:
 - (i) if it then defers all payments of interest then due (but for the provisions of this **Condition 5.8(c)(i)**) in respect of the Class E Notes; and
 - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class D Notes;
- (d) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes and/or Class D Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class E Notes to the extent only of any insufficiency of funds

after having paid or provided for all amounts specified in the Pre-Enforcement Revenue Priority of Payments as having a higher priority than interest payable in respect of the Class E Notes.

Any amount of interest (including any Deferred Interest arising on the immediately preceding Interest Payment Date and accrued interest thereon) on the Class B Notes, the Class C Notes, the Class D Notes and/or the Class E Notes which is not payable on an Interest Payment Date as a result of the provisions of this **Condition 5.8**, is the **Class B Deferred Interest**, the **Class C Deferred Interest**, the **Class D Deferred Interest** and the **Class E Deferred Interest** respectively and, together, the **Deferred Interest** arising on any such Interest Payment Date. Interest will accrue on the amount of any such Deferred Interest at the rate from time to time applicable to the Class B Notes, the Class C Notes, the Class D Notes and/or the Class E Notes (as the case may be) and on the same basis as interest on the Class B Notes, the Class C Notes, the Class D Notes and/or the Class E Notes (as the case may be) then applicable. Any Deferred Interest and accrued interest thereon is payable on the next Interest Payment Date unless and to the extent that this **Condition 5.8** applies. As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes, the Class D Notes and/or the Class E Notes will be deferred or that a payment previously deferred will be made in accordance with this **Condition 5.8**, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and/or the Class E Noteholders in accordance with **Condition 15** (Notice to Noteholders). Any deferral of interest in accordance with this **Condition 5.8** will not constitute a Note Event of Default. The provisions of this **Condition 5.8** shall cease to apply on the Final Maturity Date, at which time all Deferred Interest and accrued interest thereon shall become payable.

6. REDEMPTION

6.1 Final redemption

Save to the extent otherwise redeemed or cancelled in accordance with this **Condition 6**, the Issuer shall redeem the Notes of each Class at their respective Principal Amounts Outstanding plus interest accrued and unpaid on the Interest Payment Date in October 2013 (the **Final Maturity Date**).

Without prejudice to **Condition 10** (Events of Default), 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 **6.3** (Mandatory redemption in whole or in part).

6.2 Redemption for taxation or other reasons

- (a) If the Issuer at any time satisfies the Note Trustee that either (i) on the occasion of the next Interest Payment Date the Issuer would become subject to tax on its income in more than one jurisdiction or would be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes, or the Issuer would suffer any withholding or deduction from any payment in respect of the Loan, for or on account of any present or future tax, duty or charge of whatsoever nature incurred or levied by or on behalf of the United Kingdom or any authority thereof or therein or (ii) by reason of a change of law, 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 Credit 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 Note Trustee as principal debtor under the Notes and as Lender under the Credit Agreement in accordance with **Condition 12(c)**.
- (b) If the Issuer is unable to arrange such a substitution which would have the result of avoiding the event described above, then the Issuer shall, having given not more than 60 nor less than 30 days' notice (or such shorter notice period as the Note Trustee may agree) 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 on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Note Trustee that it 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 Servicing Agreement and/or the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Note Trustee a certificate signed by two directors of the Issuer stating that the event described in Condition 6.2(a)(i) will apply on the occasion of the next Interest Payment Date or the event described in Condition 6.2(a)(ii) 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 referred to above; and the Note Trustee shall accept the certificate 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 whole or in part*

- (a) If the Borrower prepays part of the Loan using the proceeds of disposal of a Property then the Issuer will be obliged to redeem the Notes, on the Interest Payment Date on which the relevant prepayment is made by the Borrower, in an aggregate principal amount equal to the principal amount of the relevant prepayment. In these circumstances, the Issuer will, prior to the enforcement of the Issuer Security, be obliged to redeem the Notes as follows:
- (i) if the Loan is not then designated as specially serviced:
 - (A) an amount equal to the Allocated Debt Amount of the relevant Property is to be applied *pro rata* in redemption of all Classes of Notes then outstanding; and
 - (B) an amount equal to the principal amount of the relevant prepayment less the relevant Allocated Debt Amount is to be applied in redemption of Notes in the following order of priority:
 - I. first, to redeem the principal on the Class A Notes until the Class A Notes have been redeemed in full;
 - II. second, to redeem the principal on the Class B Notes until the Class B Notes have been redeemed in full;
 - III. third, to redeem the principal on the Class C Notes until the Class C Notes have been redeemed in full;
 - IV. fourth, to redeem the principal on the Class D Notes until the Class D Notes have been redeemed in full; and
 - V. fifth, to redeem the principal on the Class E Notes until the Class E Notes have been redeemed in full;
 - (ii) if the Loan is then designated as specially serviced:
 - (A) first, to redeem the principal on the Class A Notes until the Class A Notes have been redeemed in full;
 - (B) second, to redeem the principal on the Class B Notes until the Class B Notes have been redeemed in full;
 - (C) third, to redeem the principal on the Class C Notes until the Class C Notes have been redeemed in full;
 - (D) fourth, to redeem the principal on the Class D Notes until the Class D Notes have been redeemed in full; and
 - (E) fifth, to redeem the principal on the Class E Notes until the Class E Notes have been redeemed in full.
- (b) If the Borrower, at its option, prepays part of the Loan using funds other than the proceeds of disposal of a Property then the Issuer will be obliged to redeem the Notes, on the Interest Payment Date on which the relevant prepayment is made by the Borrower, in an aggregate principal amount equal to the principal amount of the relevant prepayment. In these circumstances, the Issuer will, prior to the enforcement of the Issuer Security, be obliged to redeem the Notes as follows:
- (i) first, to redeem the principal on the Class A Notes until the Class A Notes have been redeemed in full;
 - (ii) second, to redeem the principal on the Class B Notes until the Class B Notes have been redeemed in full;
 - (iii) third, to redeem the principal on the Class C Notes until the Class C Notes have been redeemed in full;

- (iv) fourth, to redeem the principal on the Class D Notes until the Class D Notes have been redeemed in full; and
 - (v) fifth, to redeem the principal on the Class E Notes until the Class E Notes have been redeemed in full.
- (c) If the Borrower is required under the terms of the Credit Agreement (other than, following disposal of a Property, in respect of the relevant disposal proceeds) to make a prepayment in respect of the Loan or the Loan is declared to be due and payable, then the Issuer will be obliged to redeem the Notes, on the date (whether or not an Interest Payment Date) on which the relevant prepayment is made by the Borrower or principal in respect of the Loan is received by the Issuer, in an aggregate principal amount equal to the principal amount of the relevant prepayment. In these circumstances, the Issuer will, prior to the enforcement of the Issuer Security, be obliged to redeem the Notes in the following order of priority:
- (i) first, to redeem the principal on the Class A Notes until the Class A Notes have been redeemed in full;
 - (ii) second, to redeem the principal on the Class B Notes until the Class B Notes have been redeemed in full;
 - (iii) third, to redeem the principal on the Class C Notes until the Class C Notes have been redeemed in full;
 - (iv) fourth, to redeem the principal on the Class D Notes until the Class D Notes have been redeemed in full; and
 - (v) fifth, to redeem the principal on the Class E Notes until the Class E Notes have been redeemed in full.
- (d) If the Issuer is obliged to redeem the Notes under **Condition 6.3(a)** or **(b)** and the Borrower is required to pay a prepayment and cancellation fee under Clause 23.3 of the Credit Agreement, the Issuer must redeem the relevant Principal Amount Outstanding of each relevant Note at a redemption price equal to par multiplied by the Relevant Percentage. **Relevant Percentage** means 101 per cent. in respect of any relevant redemption up to and including the Interest Payment Date falling on or before 1 September 2005; and thereafter 100.5 per cent. in respect of any relevant redemption up to and including the Interest Payment Date falling on or before 1 September 2006; and thereafter 100 per cent.
- (e) If the Issuer is obliged to redeem the Notes under **Condition 6.3(c)**, the Issuer must redeem the relevant principal amount of each relevant Note at a redemption price equal to par.
- (f) If the Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of the Loan on or before the next Interest Payment Date, the Issuer will give not more than 60 and not less than 30 days' notice thereof to the Noteholders in accordance with **Condition 15** (Notice to Noteholders) setting out the Principal Amount Outstanding of each Class of Notes which will be subject to the relevant redemption and the price at which the relevant redemption is to take place.
- (g) The Issuer will be required to apply all funds received by it and representing principal (if any) following the repurchase by an Initial Lender of any interest in the Loan and/or in respect of any payment received by way of indemnity from an Initial Lender, in each case pursuant to the terms of the Loan Sale Agreement to redeem the Notes in accordance with the priority of payments set out in paragraph (c) above and at the redemption price specified in paragraph (e) above.

6.4 *Notice of redemption*

Any such notice as is referred to in **Condition 6.2** (Redemption for taxation or other reasons) or **6.3** (Mandatory redemption in whole or in part) 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.

6.5 *Purchase*

The Issuer shall not purchase any of the Notes.

6.6 Cancellation

All Notes redeemed in full will be cancelled forthwith and may not be reissued.

7. PAYMENTS

- (a) Payments of principal and interest in respect of the Notes will be made in sterling against presentation of the relevant Global Notes or Definitive Notes and/or Coupons (as the case may be) at the specified office of the Principal Paying Agent or, at the option of the holder of the relevant Global Notes or Definitive Notes (as the case may be), at the specified office of any other Paying Agent outside the United States of America. 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. Upon the date on which any Definitive Note becomes due and repayable in full, all unmatured Coupons appertaining to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (b) 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 entitled to receive any payment so made in respect of those Notes in accordance with the rules and procedures of Euroclear and/or, as the case may be, Clearstream, Luxembourg. None of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note of the relevant Class shall have any claim directly against the Issuer or the Note Trustee in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer or the Note Trustee, as the case may be, shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.
- (c) If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with **Condition 5** (Interest) and the provisions of the Note Trust Deed will be paid against presentation of such Note at the specified office of any Paying Agent.
- (d) If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further payments of additional amounts by way of interest, principal or otherwise. In this **Condition 7(d)** the expression **Payment Day** means 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 the place of presentation and which is a Business Day.
- (e) If a Paying Agent makes a partial payment in respect of any Note presented to it for payment, such Paying Agent will endorse on the relevant Note a statement indicating the amount and date of such payment.
- (f) The initial Principal Paying Agent and the initial Irish Paying Agent and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Irish Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Principal Paying Agent and also a Paying Agent with a specified office in Dublin. 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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to such Directive. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with **Condition 15** (Notice to Noteholders).

8. PRESCRIPTION

Claims in respect of the Notes and Coupons 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, 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 Note 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 will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer (or any Paying Agent) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any such Paying Agent will be obliged to make any additional payments to Noteholders in respect of any such withholding or deduction.

10. EVENTS OF DEFAULT

- (a) If a Note Event of Default (as defined in **Condition 10(b)**) occurs, then:
- (i) the Note Trustee will, in its absolute discretion, be entitled to, and must, if:
 - (A) (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; and
 - (B) it has been secured and/or indemnified to its satisfaction,serve notice (an **Acceleration Notice**) on the Issuer declaring the Notes to be immediately due and repayable; and
 - (ii) the Issuer Security will become enforceable.
- (b) Each of the following events is, subject to **Condition 10(c)**, a **Note Event of Default**:
- (i) default being made for a period of three Business Days in the payment of any principal of, or default is made for a period of five Business Days in the payment of any interest on, any Note when and as the same ought to be paid in accordance with these Conditions (provided that a deferral of interest in accordance with **Condition 5.8** (Deferral of payment) shall not constitute a default in the payment of such interest for the purposes of this **Condition 10(b)(i)**); or
 - (ii) breach by the Issuer of any representation or warranty made by it in these Conditions, the Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security 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 Note 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 Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Note Trustee certifies (or, in the case of the Issuer Deed of Charge, the Issuer Security 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 Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security 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, the presentation of an administration petition), 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 or execution 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.
- (c) In respect of the events described in **sub-paragraphs (ii), (iii), (iv) and (v) of Condition 10(b)**, the relevant event will not constitute a Note Event of Default unless the Note Trustee first certifies to the Issuer that such event is, in the opinion of the Note Trustee, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding. Upon service of an Acceleration Notice, each Note shall become immediately due and repayable at its Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Deed of Charge (but subject to the Post-Enforcement Priority of Payments).

11. ENFORCEMENT

- (a) Each of the Note Trustee and the Issuer Security 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 (in the case of the Note Trustee), the Notes, the Coupons and the Note Trust Deed (including these Conditions) or any of the Transaction Documents to which it is a party or (in the case of the Issuer Security Trustee) the Issuer Deed of Charge or any of the other Transaction Documents to which it or the Issuer is a party, provided that, subject to **Condition 11(c)** below, enforcement of the Issuer Security shall be the only remedy available for the repayment of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and the payment of accrued interest and, at any time after the Issuer Security has become enforceable, the Issuer Security Trustee may take such steps as it may think fit to enforce the Issuer Security. Neither the Note Trustee nor the Issuer Security Trustee shall 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.
- (b) Subject to **Condition 11(c)** below, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Note Trustee or the Issuer Security Trustee (as the case may be), having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Issuer Security 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 under the Issuer Deed of Charge.

- (c) If the Issuer Security 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 neither the Note Trustee nor the Issuer Security Trustee shall be responsible for any liability occasioned thereby, nor shall it vouch for the validity of such claim.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND DISCRETIONS

- (a) The Note Trust Deed contains provisions for convening meetings of Noteholders of any Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents or any other documents the rights and benefits of the Issuer in respect of which are comprised in the Issuer Security.

The quorum at any meeting of the Noteholders of any Class or Classes for passing an 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 Classes then outstanding or, at any adjourned meeting, one or more persons being or representing the Noteholders of the relevant Class or Classes whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes 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 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 Classes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification (as defined below), which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the respective interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution passed at any meeting of the Class B Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution passed at any meeting of the Class C Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders and the Class E Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the respective interests of the Class D Noteholders and the Class E Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution passed at any meeting of the Class D Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee, is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class E Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class E Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution passed at any meeting of the Class E Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or unless the Note Trustee or, as the case may be, the Issuer Security Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of the Class E Noteholders, which is effective in accordance with the immediately preceding paragraph shall be binding on all the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

As used in these Conditions and the Note Trust Deed:

- (i) **Extraordinary Resolution** means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Note 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 fourths 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; and
- (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 and the Coupons appertaining thereto 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 18(i)** of **Schedule 3** to the Note Trust Deed;
 - (E) alteration of this definition or the provisos to **paragraphs 5 and/or 6** of **Schedule 3** to the Note Trust Deed;
 - (F) alteration of the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments or the 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.
- (b) The Note Trustee or, as the case may be, the Issuer Security Trustee, may agree, without the consent of the Noteholders or the Couponholders, (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the Note Trust Deed or any of the other Transaction Documents, which is not, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, materially prejudicial to the interests of the Noteholders or the Couponholders or (ii) to any modification of these Conditions or any of the Transaction Documents, which, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Note Trustee or, as the case may be, the Issuer Security Trustee, proven. The Note Trustee may also, without the consent of the Noteholders or the Couponholders, determine that any Note Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Note Trustee or, as the case may be, the Issuer Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders and the Couponholders in accordance with **Condition 15** (Notice to Noteholders) as soon as practicable thereafter.
- (c) The Note Trustee agree, without the consent of the Noteholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate), (ii) such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in these Conditions, (iii) the Note Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Note Trust Deed being complied with. Any such substitution shall be notified to the Noteholders and the Rating Agencies in accordance with **Condition 15** (Notice to Noteholders). In the case of a substitution pursuant to this **Condition 12(c)**, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders or the Couponholders, to a change of the laws governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders or the Couponholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE

The Note Trust Deed and the Issuer Deed of Charge each contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Issuer Security Trustee, respectively, and providing for their indemnification in certain circumstances, including provisions relieving them from taking enforcement proceedings or, in the case of the Issuer Security Trustee, enforcing the Issuer Security or taking any other action in relation to the Note Trust Deed or the other Transaction Documents unless secured and/or indemnified to their satisfaction. Neither the Note Trustee nor the Issuer Security Trustee will 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 Issuer Security Trustee.

Each of the Note Trust Deed and the Issuer Deed of Charge contains provisions pursuant to which the Note Trustee and the Issuer Security Trustee, respectively, or any of their 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 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 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 Note Trust Deed and the Issuer Deed of Charge also relieves the Note Trustee and the Issuer Security Trustee, respectively, 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. Neither the Note Trustee nor the Issuer Security Trustee has responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Issuer Security or the Transaction Documents. Neither the Note Trustee nor the Issuer Security Trustee will 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 Servicer or any other person of their obligations under the Transaction Documents and the Note Trustee and the Issuer Security 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 Note Trust Deed and the Issuer Deed of Charge contain other provisions limiting the responsibility, duties and liability of the Note Trustee and the Issuer Security Trustee, respectively.

The Note Trust Deed and the Issuer Deed of Charge contains provisions pursuant to which (i) the Note Trustee and the Issuer Security Trustee, respectively, 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 Note Trustee and the Issuer Security Trustee, respectively. The retirement or removal of the Note Trustee or the Issuer Security Trustee (as the case may be) will not become effective until a successor trustee is appointed. The Note Trustee and the Issuer Security Trustee are entitled to appoint a successor trustee in the circumstances specified in the Note Trust Deed and the Issuer Deed of Charge, respectively.

14. REPLACEMENT OF THE NOTES

14.1 Definitive Notes and Coupons

If a Definitive Note, Coupon or Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement thereof will only be made on 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 relevant Paying Agent may reasonably require. If mutilated or defaced, the Definitive Note, Coupon or Talon must be surrendered before a new one will be issued.

14.2 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 Note 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

- (a) Any notice to the Noteholders shall be validly given if published (a) in one leading London daily newspaper (which is expected to be the *Financial Times*) and (b) (for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) in a leading English language newspaper having general circulation in Dublin (which is expected to be *The Irish Times*) or, if either such newspaper shall cease to be published or timely publication therein shall not be practicable, in the opinion of the Note Trustee, in another appropriate newspaper or newspapers

as the Note Trustee shall approve having general circulation in London or Dublin (as appropriate) previously approved in writing by the Note Trustee. Any such notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee shall determine.

- (b) Whilst the Notes are represented by Global Notes, notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders rather than by notification as required above 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 third day after the day of such delivery.
- (c) A copy of each notice given in accordance with this **Condition 15** shall be provided to each of Fitch Ratings Ltd (**Fitch**), Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P** and, together with Fitch and Moody's, the **Rating Agencies**, which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to rating and ratings in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.
- (d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

16. RIGHTS OF THIRD PARTIES

Neither this Note nor any Coupon confers any rights on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note or any such Coupon, 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.

17. GOVERNING LAW

The Note Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

UNITED KINGDOM TAXATION

The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current United Kingdom tax law and Inland Revenue practice as at the date of this Offering Circular relating to certain aspects of United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of the Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

A. Interest on the Notes

1. *Withholding tax on payments of interest on the Notes*

For so long as the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Act**) (the Irish Stock Exchange is such a "recognised stock exchange" for this purpose - under a United Kingdom Inland Revenue interpretation, the Notes will satisfy this requirement if they are listed by the competent authority in Ireland and are admitted to trading by the Irish Stock Exchange) interest payments on each of the Notes will be a "payment of interest on a quoted Eurobond" within the meaning of section 349 of the Act. In these circumstances, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form or in definitive form.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person whose usual place of abode is not outside the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest or that the payment is made to one of the persons listed in section 349B of the Act in the circumstances specified in section 349B, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, or, where a Noteholder is associated with the Issuer, resident in a Member State of the EU and entitled to the benefit of the European Council Directive 2003/49/EC, the Inland Revenue can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

2. *Provision of Information*

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

3. *Further United Kingdom income tax issues*

Interest on the Notes will constitute United Kingdom source income and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which interest is received or to which the Notes are

attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may be relevant for such Noteholders.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

B. United Kingdom corporation tax payers

In general, Noteholders which are within the charge to United Kingdom corporation tax in respect of the Notes will be charged to tax and obtain relief as income on all returns, profits and gains on, and fluctuations in value of the Notes (whether attributable to currency fluctuation or otherwise) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom tax payers

1. Taxation of chargeable gains

The Notes will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

2. Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued between the last Interest Payment Date and the date of disposal may be chargeable to tax as income under the rules of the “*accrued income scheme*” as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue or transfer by delivery of the Notes.

E. EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc whose address is at 135 Bishopsgate, London EC2M 3UR and UBS Limited whose address is 100 Liverpool Street, London EC2M 2RH (together, the **Lead Managers**) have agreed, pursuant to a subscription agreement dated 19 October 2004 (the **Subscription Agreement**), made between, *inter alios*, the Lead Managers and the Issuer, jointly and severally, to subscribe and pay for the (i) Class A Notes at 100 per cent. of the initial principal amount of such Notes, (ii) the Class B Notes at 100 per cent. of the initial principal amount of such Notes, (iii) the Class C Notes at 100 per cent. of the initial principal amount of such Notes, (iv) the Class D Notes at 100 per cent. of the initial principal amount of such Notes and (v) the Class E Notes at 100 per cent. of the initial principal amount of such Notes, subject to certain conditions.

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

United States of America

Each of the Lead Managers has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section “*Subscription and Sale*”, the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. Persons and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

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

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

United Kingdom

Each of the Lead Managers has represented and agreed that:

- (a) it has not offered or sold, and prior to the expiry of the period of six months from the Closing Date will not offer or sell, any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (**FSMA**), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

Ireland

Each of the Lead Managers has represented and agreed that:

- (a) other than in circumstances which do not constitute an offer or sale to the public in Ireland or elsewhere by means of a prospectus within the meaning of the Companies Acts, 1963 to 2001 of Ireland (i) prior to application for listing of the Notes being made and the Irish Stock Exchange having approved this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document or other means of visual reproduction, including electronic means, any of the Notes, (ii) subsequent to application for listing of the Notes being made and the Irish Stock Exchange approving this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, any of the Notes by means of any document or other means of visual reproduction, including electronic means, other than this Offering Circular (or any document including electronic means of visual reproduction approved as aforesaid, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations) and only where this Offering Circular (or such other listing particulars as aforesaid) is accompanied by an application form or an application form is issued which indicates where this Offering Circular (or such other listing particulars as aforesaid) can be obtained or inspected and (iii) it has not issued and will not issue at any time, in Ireland or elsewhere, any application form for any of the Notes unless the application form is accompanied by this Offering Circular (or a document including electronic means of visual reproduction, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations and approved by the Irish Stock Exchange) or the application form indicates where this Offering Circular or such listing particulars can be obtained or inspected;
- (b) it has not made and will not make at any time any offer of any of the Notes in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply;
- (c) it will not sell any Notes pursuant to this Offering Circular and it will not take any proceedings on applications made pursuant to this Offering Circular until the fourth business day in Ireland after the date of this Offering Circular;
- (d) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Lead Manager acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000, of Ireland (as amended) and, in the case of a Lead Manager acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March 2000 (as amended or extended), it has complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and
- (e) in respect of an offer of the Notes to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2001 of Ireland, it will comply with the requirements of sections 56 and 57 of the Companies Act, 1963 of Ireland.

The Netherlands

Each of the Lead Managers has represented and agreed that this Offering Circular may not be distributed and the Notes (including rights representing an interest in any Global Notes) may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands (**Dutch Residents**) other than to the following entities (hereinafter referred to as **Professional Market Parties** or **PMPs**) provided they acquire the Notes for their own account and trade or invest in securities in the conduct of a business or profession:

- (a) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;
- (b) banks or securities firms licensed or supervised in a European Economic Area member state (other than The Netherlands) and registered with the Dutch Central Bank (De Nederlandsche Bank N.V.: **DNB**) or the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) and acting through a branch office in The Netherlands;

- (c) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;
- (d) the Dutch government (de Staat der Nederlanden), DNB, Dutch regional, local or other decentralised governmental institutions, or any international treaty organisations and supranational organisations located in The Netherlands;
- (e) Netherlands enterprises or entities with total assets of at least EURO 500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes;
- (f) Netherlands enterprises, entities or individuals with net assets (eigen vermogen) of at least EURO 10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (g) Netherlands subsidiaries of the entities referred to under (i) above provided such subsidiaries are subject to prudential supervision;
- (h) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (i) such other Netherlands entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

All Notes (whether or not offered to Dutch residents) shall bear the following legend:

“THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (**DUTCH RESIDENTS**) OTHER THAN TO PROFESSIONAL MARKET PARTIES (**PMPs**) WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 THAT ACQUIRE SUCH NOTES (OR ANY INTEREST HEREIN) FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A BUSINESS OR PROFESSION. EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS SUCH A PMP AND IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP.

EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN), BY PURCHASING SUCH NOTE (OR ANY SUCH INTEREST), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH NOTE (OR ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO DUTCH RESIDENTS OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT (2) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.”

General

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this document to the Registrar of Companies in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the Lead 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. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 18 October 2004.
2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 22 October 2004, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. On 1 September 2004 the Issuer was granted a certificate under section 117 of the Companies Act 1985 entitling it to do business and to borrow.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code	ISIN
Class A	020350814	XS0203508147
Class B	020350865	XS0203508659
Class C	020350890	XS0203508907
Class D	020350903	XS0203509038
Class E	020350938	XS0203509384

5. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Irish Paying Agent in Dublin. The Issuer does not publish interim accounts.
6. Save as disclosed herein, the Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
7. The Issuer has not entered into any material contracts or arrangements, other than those disclosed in this Offering Circular, since the date of its incorporation.
8. KPMG Audit Plc, auditors of the Issuer, has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of section 46 of the Irish Companies Act, 1963 (as amended).
9. PricewaterhouseCoopers LLP, auditors of the Borrower, has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of the listing rules of the Irish Stock Exchange. The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement. As a limited partnership registered under the Limited Partnerships Act 1907, the Borrower is not obliged to, and does not produce, statutory accounts in accordance with the terms of any relevant legislation, including (without limitation,) the Companies Act 1985 of the United Kingdom. Accordingly, the financial statements of the Borrower have not been prepared in accordance with generally accepted accounting principles in the United Kingdom or any other generally accepted accounting principles. The audit opinion of PricewaterhouseCoopers LLP on the financial statements of the Borrower reports that those financial statements are fairly presented and that the financial statements have been properly prepared in accordance with the Partnership Agreement. PricewaterhouseCoopers LLP has not reported whether those financial statements show a true and fair view and accordingly their report does not constitute a statutory audit report.
10. Knight Frank LLP, has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of section 46 of the Irish Companies Act, 1963 (as amended).

11. Save as disclosed in this Offering Circular, since 27 August 2004 (being the date of incorporation of the Issuer), the Issuer has not commenced operations, no accounts of the Issuer have been made up and there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.
12. Each of the Issuer Deed of Charge and the Note Trust Deed will provide that the Issuer Security Trustee and the Note Trustee, respectively, may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Issuer Deed of Charge and the Note Trust Deed, respectively, whether or not such report or other information, engagement letter or other document entered into by the Issuer Security Trustee or the Note Trustee (as the case may be) and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
13. Copies of the following documents may be inspected during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of the Issuer at Blackwell House, Guildhall Yard, London EC2V 5AE and at the specified offices of the Irish Paying Agent in Dublin during the period of 14 days from the date of this document:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Memorandum and Articles of Association of the General Partner;
 - (c) the balance sheet of the Issuer as at 19 October 2004 and the auditors' report thereon;
 - (d) the Subscription Agreement; and
 - (e) drafts (subject to modification) of the following documents:
 - (i) the Loan Sale Documents;
 - (ii) the Note Trust Deed;
 - (iii) the Issuer Deed of Charge;
 - (iv) the Servicing Agreement;
 - (v) the Bank Account Agreement;
 - (vi) the Corporate Services Agreement;
 - (vii) the Liquidity Facility Agreement;
 - (viii) the Agency Agreement; and
 - (ix) the Master Definitions Schedule.

APPENDIX A

FINANCIAL INFORMATION IN RESPECT OF THE BORROWER

The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement. As a limited partnership registered under the Limited Partnerships Act 1907, the Borrower is not obliged to, and does not produce, statutory accounts in accordance with the terms of any relevant legislation, including (without limitation,) the Companies Act 1985 of the United Kingdom. Accordingly, the financial statements of the Borrower have not been prepared in accordance with generally accepted accounting principles in the United Kingdom or any other generally accepted accounting principles. The audit opinion of PricewaterhouseCoopers LLP on the financial statements of the Borrower reports that those financial statements are fairly presented and that the financial statements have been properly prepared in accordance with the Partnership Agreement. PricewaterhouseCoopers LLP has not reported whether those financial statements show a true and fair view and accordingly their report does not constitute a statutory audit report.

ARLINGTON BUSINESS PARKS PARTNERSHIP
ANNUAL REPORT FOR THE PERIOD ENDED
31 DECEMBER 2003

LP No. 8624

ARLINGTON BUSINESS PARKS PARTNERSHIP
ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2003

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ARLINGTON BUSINESS PARKS PARTNERSHIP

OPERATOR'S REPORT

The operator presents the annual report and the audited financial statements of the Partnership for the nine months ended 31 December 2003.

PRINCIPAL ACTIVITIES AND CREATION OF PARTNERSHIP AND RESULTS

The principal activity of the partnership is property investment in the UK.

On 4 April 2003 the existing property portfolio of the Arlington Securities Limited Group (formerly East Flight Limited) was legally transferred to Arlington Business Parks GP Limited, the general partner of the Arlington Business Parks Partnership. The portfolio is beneficially held by the general partner on behalf of the partnership.

The Arlington Business Parks Partnership was formed as a limited partnership between Arlington Business Parks GP Limited and Arlington LP Limited (formerly Arlington Property Investments Limited) on 2 April 2003. On 27 June 2003 ARL Holdings, Inc, Akaria Investments Limited and Legal & General Assurance Society Limited were admitted to the partnership as limited partners. The partnership operates in accordance with the Limited Partnership Agreement dated 27 June 2003.

The loss attributable to the partners' for the period amounted to £15.7m.

The partners percentage holdings are currently:

Arlington Business Parks GP Limited 0.003 per cent.

Arlington LP Limited 6.486 per cent.

ARL Holdings Inc 14.274 per cent.

Akaria Investments Limited 14.274 per cent.

Legal & General Assurance Society Limited 64.963 per cent.

STATEMENT OF OPERATOR'S RESPONSIBILITIES

The Partnership Agreement requires the Operator to prepare, or cause to be prepared, accounts of the Partnership in respect of each annual accounting year in accordance with generally accepted accounting practice in the United Kingdom, and subject to approval by the General Partner. Under the Operating Agreement, the Operator is appointed to act as Operator of the Partnership to the exclusion of the General Partner. In preparing those accounts, the Operator is required to:-

- select suitable accounting policies and then apply them consistently
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards, as specified in accordance with the Limited Partnership Agreement, have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The Operator is also responsible for:-

- Ensuring that the Partnership has suitable internal controls for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership.
- safeguarding the assets of the Partnership and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Operator confirms that it has complied with the above requirements.

ARLINGTON BUSINESS PARKS PARTNERSHIP

AUDITORS

PricewaterhouseCoopers LLP has been appointed to act as auditors to the Arlington Business Parks Partnership.

On behalf of the Partners

A Overy

Signed on behalf of Legal & General Investment Management Limited as operator to the Arlington Business Park Partnership

10 May 2004

ARLINGTON BUSINESS PARKS PARTNERSHIP

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF ARLINGTON BUSINESS PARKS PARTNERSHIP

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of the Operator and auditors

The Operator's responsibilities for preparing the financial statements in accordance with the Limited Partnership Agreement are set out in the statement of the Operator's responsibilities.

Our responsibility is to audit the financial statements in accordance with the requirements established by the Limited Partnership Agreement and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including this opinion, has been prepared for and only for the partners as a body in accordance with the Limited Partnership Agreement and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements have been prepared in accordance with the Limited Partnership Agreement. We also report to you if the partnership 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 the Limited Partnership Agreement regarding transactions is not disclosed.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Operator's Report.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements.

Opinion

In our opinion the financial statements present fairly the financial position of the partnership at 31 December 2003 and its loss and cash flows for the period then ended have been properly prepared in accordance with the Partnership Agreement.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Reading

10 May 2004

ARLINGTON BUSINESS PARKS PARTNERSHIP

PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2003

	Note	9 months to 31 December 2003 £'m
TURNOVER – Partnership and share of joint ventures	1	30.2
less : share of joint ventures		(4.1)
TURNOVER – Partnership		26.1
Cost of sales		(3.1)
GROSS PROFIT		23.0
Administrative expenses.....		(3.7)
Other operating expenses.....		(12.1)
OPERATING PROFIT	2	7.2
Share of operating loss of joint venture	5	(0.6)
Profit on disposal of fixed asset investments assets.....		0.6
PROFIT BEFORE INTEREST		7.2
Net interest payable	3	(22.9)
LOSS ATTRIBUTABLE TO PARTNERS.....	12	(15.7)

All amounts above relate to continuing operations.

There is no material difference between the loss attributable to partners for the financial period stated above and its historical cost equivalent.

ARLINGTON BUSINESS PARKS PARTNERSHIP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 31 December 2003

	2003 £'m
Loss attributable to partners	(15.7)
Unrealised surplus on revaluation of land and investment properties	8.5
UITF 28 and other adjustments to property valuations	(8.4)
Total recognised gains and losses relating to the financial period	(15.6)
Realised	(15.7)
Unrealised	0.1
	(15.6)

RECONCILIATION OF MOVEMENTS IN PARTNERS' FUNDS

for the period ended 31 December 2003

	2003 £'m
Loss attributable to partners	(15.7)
Introduction of partnership capital and loans in the period	357.7
Unrealised surplus on revaluation of land and investment properties	8.5
UITF 28 and other adjustments to property valuations	(8.4)
Net movement in partners' funds	342.1
Opening partners' funds	-
Closing partners' funds	342.1

ARLINGTON BUSINESS PARKS PARTNERSHIP

BALANCE SHEET

as at 31 December 2003

	<u>Note</u>	<u>2003 £'m</u>	<u>2003 £'m</u>
FIXED ASSETS			
Land.....	4	105.5	
Assets in the course of construction.....	4	25.3	
Investment Properties	4	656.6	787.4
INTEREST IN JOINT VENTURE.....	5		
Share of gross assets		8.8	
Share of gross liabilities		(8.4)	0.4
CURRENT ASSETS			787.8
Debtors: amounts falling due within one year.....	6	19.0	
Debtors: amounts falling due after more than one year	6	9.5	
Cash at bank and in hand.....		13.4	
		41.9	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(36.5)	
NET CURRENT ASSETS			5.4
TOTAL ASSETS LESS CURRENT LIABILITIES			793.2
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR.....	7		(449.1)
PROVISIONS FOR LIABILITIES AND CHARGES	8		(2.0)
NET ASSETS			342.1
PARTNERS CAPITAL, LOAN AND CURRENT ACCOUNTS ...	12	342.0	
REVALUATION RESERVE	13	0.1	
PARTNERS' FUNDS.....			342.1

The financial statements on pages 4 to 17 were approved by the partners on 10 May 2004 and were signed on their behalf by:

} **Arlington Business Parks GP Limited**

ARLINGTON BUSINESS PARKS PARTNERSHIP

CASH FLOW STATEMENT

for the period ended 31 December 2003

	Note	2003 £'m
Net cash inflow from operating activities	(11i)	35.5
Returns on Investments and Servicing of Finance	(11ii)	(17.8)
Capital Expenditure and Financial Investment	(11ii)	(28.9)
Acquisitions	(11iii)	(358.7)
Net cash outflow before financing		(369.9)
Net cash inflow from financing		
Injection of partners' capital and loans		357.7
Increase in borrowings	(11iv)	25.6
Increase in cash and cash equivalents	(11iv)	13.4

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the period ended 31 december 2003

	Note	2003 £'m
Increase in cash in the period	(11iv)	13.4
Cash Inflow from Increase in Debt		(462.2)
Movement in net Debt		(448.8)
Net debt at 4 April 2003		-
Net debt at 31 December 2003	(11iv)	(448.8)

ARLINGTON BUSINESS PARKS PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2003 (Continued)

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared in accordance with the Limited Partnership Agreement dated 27 June 2003, applicable UK accounting standards and under the historical cost convention, as modified for the revaluation of investment properties.

The principle accounting policies are set out below:-

Turnover

Turnover, which is stated net of VAT, comprises rents receivable and recharges to tenants.

As prescribed by UITF 28, 'Operating Lease Incentives', the aggregate cost of incentives and rent-free periods are allocated on a straight line basis over the shorter of the lease term or the period to the next rent review.

Turnover is derived wholly in the UK.

Interest

Interest payable/receivable is expensed/credited through the profit and loss account on an accruals basis.

Fixed Assets – Investment Properties

The investments in property are included in the accounts at open market values determined by an annual independent valuation. In accordance with accounting standard SSAP 19, no depreciation is provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired. The departure from the requirements of the Companies Act 1985 for all tangible assets to be depreciated is, in the opinion of the Operator, necessary for the accounts to give a true and fair view. Depreciation is only one of the factors reflected in the valuations and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

The valuation of properties at open market value is in accordance with the Limited Partnership Agreement. Resulting surpluses and deficits on revaluation are taken to the Unrealised Surplus on Revaluation of Property Account which is not allocated to the individual Partners until such time as realised surpluses are distributed according to the terms of the Partnership Agreement.

Deficits on revaluation, where they are considered to be permanent, are taken through the profit and loss account.

Fixed Assets – Land

Land is included in the accounts at an annually updated independent valuation.

Fixed Assets – Assets in the Course of Construction

Assets in the course of construction that are capable of being valued externally are included in the accounts at an annually update Independent valuation. Other assets are held at cost. Cost includes overheads.

Interest in Joint Ventures

The joint venture is beneficially owned and controlled by the partnership. It is held at cost less any associated provision for impairment.

ARLINGTON BUSINESS PARKS PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2003 (Continued)

1. ACCOUNTING POLICIES (Continued)

Hire Purchase and Leasing

Lessor – Where the partnership enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a ‘finance lease’. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as ‘operating leases’ and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Lessor - Any amounts due from a lessee under a finance lease are allocated to accounting periods so as to give a constant, periodic rate of return to the partnerships net cash investment in the lease, in each period.

The capital amounts of finance lease assets are not discounted.

Interest on Partners’ Loan and Capital Accounts

No interest is payable in respect of partners’ Loan and Capital Accounts.

Taxation

The Partnership is not subject to taxation itself. Any Partner liable to taxation on its participation in the Partnership is responsible for settling the liabilities independently of the Partnership.

Financial Instruments

The partnership makes use of interest rate derivative instruments as part of its policy of interest rate exposure management. Payments and/or receipts under these transactions are recognised through the profit and loss account. The accounts do however include taxation charges, assets and liabilities relating to corporates controlled by the partnership.

Deferred Income

Deferred income is recognised when rental income is received in advance.

Onerous Lease Provision

Future shortfalls in rental income in respect of rent guarantees given on certain properties have been provided for, reflecting the partners’ estimate of likely future liability. This provision is not discounted.

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

2. OPERATING PROFIT

	<u>2003 £'m</u>
The operating profit is stated after charging:	
Auditors' remuneration	0.1
– Audit	0.1
– Non audit	

The partnership has no employees.

Operating expenses include fees of £9.6 million chargeable in respect of the implementation of the partnership.

3. NET INTEREST PAYABLE

	<u>2003 £'m</u>
Interest payable	24.1
Interest receivable	(0.7)
– Bank	(0.5)
– Finance lease	
Net Interest payable	<u><u>22.9</u></u>

4. FIXED ASSETS

	<u>At valuation/ Cost £'m</u>	<u>UITF28 and other adjustments £'m</u>	<u>2003 As disclosed per accounts £'m</u>
Land			
Acquired on 4 April 2003.....	125.2	–	125.2
Additions in the period	13.4	–	13.4
Transfer to assets in the course of construction.....	(8.4)	–	(8.4)
Disposals in the period.....	(16.3)	–	(16.3)
Revaluations in the period.....	(8.4)	–	(8.4)
As at 31 December 2003.....	<u><u>105.5</u></u>	<u><u>–</u></u>	<u><u>105.5</u></u>

Included within the £105.7 million are £3.1 million of costs incurred on land which are not valued, and included at cost.

	<u>At valuation/ Cost £'m</u>	<u>UITF28 and other adjustments £'m</u>	<u>2003 As disclosed per accounts £'m</u>
Assets in the course of construction			
Acquired on 4 April 2003.....	34.0	–	34.0
Transfers from land	8.4	–	8.4
Additions in the period	21.0	–	21.0
Transfers to investment properties	(40.2)	–	(40.2)
Revaluations in the period.....	2.1	–	2.1
As at 31 December 2003.....	<u><u>25.3</u></u>	<u><u>–</u></u>	<u><u>25.3</u></u>

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

4. FIXED ASSETS (Continued)

	At valuation/ Cost £'m	2003 UITF 28 and other adjustments £'m	As disclosed per accounts £'m
Investment Properties			
Acquired on 4 April 2003.....	611.5	–	611.5
Transfers from assets in the course of construction	40.2	–	40.2
Additions in the period	3.4	–	3.4
Disposals in the period.....	(4.9)	–	(4.9)
Surplus on revaluation of investment properties	14.8	–	14.8
UITF 28 and other adjustments.....	–	(8.4)	(8.4)
As at 31 December 2003.....	665.0	(8.4)	656.6

Reconciliation to Knight Frank valuation

	2003 £'m
Disclosed per valuation letter.....	792.9
Comprising:	
Land (excluding items at cost).....	102.6
Assets in the course of construction.....	25.3
Investment properties.....	665.0
	792.9

As at 31 December 2003, the partnership's investment portfolio was externally valued on the basis of open market value by Knight Frank, Chartered Surveyors. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes.

Also at 31 December 2003 the partnership land bank was externally valued on the basis of residual open market values by Knight Frank, Chartered Surveyors.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve.

The revaluations during the period ended 2003 resulted in a revaluation surplus of £8.5 million.

The above assets include long-term leaseholds valued at £6.5 million.

The valuers' report is found on pages 17 – 18

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

5. INVESTMENTS

	Equity £'m	Loans £'m	Total 2003 £'m
Acquired on 4 April 2003.....	-	-	-
Loans to joint ventures.....	-	1.0	1.0
Share of joint venture losses.....	(0.6)	-	(0.6)
As at 31 December 2003.....	(0.6)	1.0	0.4

The investment and loans above are in relation to Park Business Centres Limited, a joint venture between the Partnership and Regus Business Centres (UK) Limited. The general partner legally owns 50 per cent. of the share capital of Park Business Centres Limited, beneficially for the partnership.

6. DEBTORS

	2003 £'m
Amounts falling due within one year:	
Trade debtors.....	17.2
Other debtors.....	1.4
Net investment in finance lease.....	0.4
Amounts falling due after more than one year:	19.0
Other debtors.....	4.1
Net investment in finance lease.....	5.4
Total Debtors	28.5

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'m
Short term element of long term borrowings.....	13.1
Trade creditors.....	1.5
Other creditors.....	0.7
Accruals and deferred income.....	21.2
	36.5
CREDITORS: Amounts falling due after more than one year	
Borrowings.....	449.1
Total creditors	485.6

Bank borrowings are repaid in quarterly instalments and bear variable interest at LIBOR plus 0.8 per cent. to 0.9 per cent..

Of the above borrowings, £452.2 million are secured on certain investment properties.

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

8. PROVISION FOR LIABILITIES AND CHARGES

Provision for liabilities and charges is in relation to future rent guarantees that were novated to partnership on 4 April 2003. The movement of the provision in the period was:

	2003 £'m
Transferred with the property portfolio	1.6
Utilisation of the provision in the period	(0.6)
Additional provision in the period.....	1.0
At 31 December 2003	2.0

9. FINANCIAL INSTRUMENTS

The following note sets out some disclosures regarding the partnership position in respect of financial instruments. Short-term debtors and creditors have been excluded from the disclosures. All monetary assets and liabilities are denominated in sterling.

Liquidity risk profile

	2003 £'m
Loans falling due:	
In one year or less and on demand	13.1
Between one and two years	3.6
Between two and five years.....	445.5
	<u>462.2</u>

The partnership has undrawn committed bank facilities which expire as follows:-

	£'m
Between two and five years.....	<u>92.5</u>

Interest rate risk profile

The partnership has entered into a number of Interest Rate Swaps as part of its policy of Interest Rate Exposure management. The swaps have been structured so that the timing of floating interest rate receipts match the floating interest rate payments of the partnership debt portfolio thus creating synthetic fixed rate debt.

Financial liabilities	Fixed rate £'m	Floating rate £'m
As at 31 December 2003	<u>462.2m</u>	<u>-</u>

Floating rate borrowings incur interest at LIBOR plus 0.8 per cent. to 0.9 per cent. per annum.

	Fixed rate liabilities Weighted average interest rate %	Fixed rate liabilities Weighted average term Years
As at 31 December 2003	<u>5.83</u>	<u>3.69</u>

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

9. FINANCIAL INSTRUMENTS (Continued)

Financial assets

The partnership has financial assets of the following:

- Cash and bank balances of £13.4 million at floating rates of interest.
- Long-term debtors include net investment in finance lease of £5.4 million, at an interest rate of 15 per cent. and other debtors of £4.1 million.

Fair values of financial assets and financial liabilities

	Book value 2003 £'m	Fair value 2003 £'m
Primary financial instruments held to finance the partnership's operations:		
Short-term borrowings	(13.1)	(13.1)
Long-term borrowings	(449.1)	(449.1)
Financial assets	22.9	25.1
Derivative financial instruments held to manage the interest rate profile:		
Interest rate swaps.....	-	(16.4)

10. CAPITAL COMMITMENTS

Capital commitments for which no provision has been made in these financial statements amounts to:-

	2003 £'m
Authorised and contracted.....	19.6

11. NOTES TO THE CASHFLOW STATEMENT

i) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'m
Operating profit	7.2
Decrease in debtors	9.5
Increase in creditors.....	18.8
Net cash inflow from operating activities.....	35.5

ii) Gross cash flows

Returns on investment and servicing of finance

Interest paid	18.9
Interest received.....	(1.1)
	<u>17.8</u>

Capital expenditure and financial investment

Expenditure on land, assets in the course of construction and investment properties	(37.8)
Proceeds from sale of fixed asset investments	8.9
	<u>(28.9)</u>

iii) Acquisitions

Acquisition of business assets and liabilities	(357.7)
Loans to joint ventures.....	(1.0)
	<u>(358.7)</u>

ARLINGTON BUSINESS PARKS PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2003 (Continued)**

11. NOTES TO THE CASHFLOW STATEMENT (Continued)

On 4 April 2003 Arlington Business Parks GP Limited, the general partner acquired beneficially for the partnership the property portfolio, borrowings certain assets and liabilities from various companies within the Arlington Securities group.

	2003 £'m
Property assets	770.7
Debtors	25.1
Creditors	(1.5)
Net Debt	<u>(436.6)</u>
	<u>357.7</u>

This acquisition was funded by way of intercompany debt until 27 June 2003 when the new limited partners were admitted to the partnership injecting cash to pay the consideration.

iv) Analysis of net debt

	4 April 2003 £'m	Acquired (exc cash) £'m	Cashflow 2003 £'m	31 December 2003 £'m
Cash in hand and at bank.....	-	-	13.4	13.4
Borrowings	-	(436.6)	(25.6)	(462.2)
Net debt	<u>-</u>	<u>(436.6)</u>	<u>(12.2)</u>	<u>(448.8)</u>

12. PARTNERS' CAPITAL, LOAN AND CURRENT ACCOUNTS

	Current accounts £'m	Capital accounts £'m	Loan accounts £'m	Total £'m
Capital and loans Introduced:				
- 4 April 2003	-	0.2	-	0.2
- 27 June 2003.....	-	22.3	335.2	357.5
	-	22.5	335.2	357.7
Transfer	17.7	(9.6)	(8.1)	-
Loss for the period	(15.7)	-	-	(15.7)
	<u>2.0</u>	<u>12.9</u>	<u>327.1</u>	<u>342.0</u>

13. UNREALISED REVALUATION RESERVE

	2003 £'m
Revaluation reserve arising in the period	<u>0.1</u>

ARLINGTON BUSINESS PARKS PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2003 (Continued)

14. RELATED PARTIES

The General Partner has exclusive responsibility for the day to day management of the Partnership business save for powers delegated to the Operator and the Asset and Investment Managers. The General Partner retains responsibility for the execution of documents on behalf of the Partnership.

The Partnership has appointed Legal & General Investment Management Limited to act as Operator with responsibility for activities which would or might constitute a regulated activity as defined in the Financial Services and Markets Act 2000. The Partnership has appointed Arlington Property Adviser Limited and Legal & General Property Limited to act as Asset and Investment Managers.

For their services as Operator, Legal & General Investment Management Limited receives fees of £50,000 per annum. Under the terms of the Investment Management Agreements the Investment Managers' receive annual fees of 0.12 per cent. of the average gross capital value of the investment properties they manage.

The total paid to Legal & General group companies was £0.4 million, of this amount included within creditors was £0.2 million.

Under the terms of the Property Adviser Agreement, Arlington Property Adviser Limited receives a fee of 0.5 per cent. of the gross asset value of the partnership. Under the terms of the Development Management agreement Arlington Development Management Limited receives a fee equal to 3 per cent. of construction costs.

In addition, Arlington Business Services Limited and Arlington Net Limited have contracts to provide certain facilities management and online services respectively.

Total fees payable by the Partnership to Arlington group companies in respect of the period ended 31 December 2003 were £3.6 million. The total outstanding fees at 31 December 2003 were £2.2 million.

The fund also beneficially owns and controls management companies, who are responsible for the maintenance of the common areas on each of the Business Parks. The management companies' are charged fees by Arlington Business Services Limited for common area maintenance, which are charged to freeholders in the proportion of their management company shareholdings.

15. GENERAL PARTNER

The General partner of the Partnership is Arlington Business Parks GP Limited, a company owned by Arlington Securities Operations Limited and Legal & General Property Limited, whose ultimate parent companies are Arlington Securities Limited and Legal & General Group Plc.

ARLINGTON BUSINESS PARKS PARTNERSHIP

The Director
Arlington Business Parks GP Limited
Arlington Business Park
Theale
RG7 4SA

26 March 2004

VALUERS REPORT

In accordance with your instructions, we have prepared the following abbreviated form of our Valuation Report dated 6 January 2004. We are instructed, as External Valuers, to provide you with a market valuation of the Standing Investment Portfolio, Work in Progress, Undeveloped Land and Miscellaneous Properties. The valuation is required for balance sheet purposes.

In our opinion, the Market Valuation of the Properties, as at 31 December 2003, was in the sum of £792,944,825 (seven hundred and ninety two million nine hundred and forty four thousand eight hundred and twenty five pounds) allocated as follows:

	Freehold £	Leasehold £	Total £
Properties held as Investments.....	658,576,000	6,500,000	665,076,000
Properties in the course of or committed for development.....	25,200,000		25,200,000
Development Land	102,668,825		102,668,825
Total	£786,444,825	£6,500,000	£792,944,825

We confirm that the valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standard (5th Edition) issued by the Royal Institution of Chartered Surveyors. The Properties have been internally and externally inspected on a rolling programme.

We have not carried out condition surveys on the proportions and are unable to report that the Properties are free of any structural fault, rot, infestation or defect of any other nature, including inherent weaknesses due to the use in construction of materials now suspect.

No tests were carried out on any of the technical services. We would however comment that all of the Properties with the exception of Block 13 Gloucester Business Park have been constructed since 1990 and are therefore of modern specification. It appeared to us in general terms that the Properties were being maintained in accordance with the lease terms.

We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the sites are sufficient to support the buildings constructed or to be constructed thereon. We have been provided with environmental reports prepared by Stangers and dated May 2001. In respect of The Quays, Uxbridge we have been provided with an environmental report prepared by Stangers dated February 2002. Unless we have been provided to the contrary, we have assumed, that none of the Properties or sites are or likely to be affected by land contamination and that there are no ground conditions which would affect the present or future use of the Properties or sites. Should it, however, be established subsequently that contamination exists at any of the Properties or sites or any neighbouring land, or that the Properties or sites have been or are being put to a contaminated use, this might reduce values now reported.

In accordance with your instructions we have not made formal planning enquiries to the relevant Local Authorities but have relied upon information provided in the Certificates of Title prepared by Messrs Jones Day and on the summary planning information in respect of the Properties prepared by Terence O'Rourke plc dated April 2001.

We have been provided with consented planning areas and used by the Company and costs relating to Section 106 and other associated agreements and confirm that we have relied upon this information in carrying out our valuation.

ARLINGTON BUSINESS PARKS PARTNERSHIP

VALUERS REPORT (Continued)

We assume there to be good and marketable titles to the Properties and we confirm that in carrying out our valuation we have reflected the contents of the Certificates of Title prepared by Messrs Jones Day.

We have been provided with schedules of tenancies prepared by the Company and occupational lease summaries contained in the Certificates of Title. We confirm that we have relied upon this information in carrying out our valuation.

In accordance with our standard practice we must state that the valuation is confidential to the parties to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated.

Yours faithfully
M F P Cripps FRICS
For and on behalf of
Knight Frank LLP

ARLINGTON BUSINESS PARKS PARTNERSHIP

MANAGERS AND ADVISERS

General partner:

Arlington Business Park GP Limited
Arlington House
Arlington Business Park
Theale RG7 4SA

Operator:

Legal & General Investment Management Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8NH

Asset managers:

Arlington Property Adviser Limited
Arlington House
Arlington Business Park
Theale RG7 4SA

Legal & General Investment Management Limited

Bucklersbury House
3 Queen Victoria Street
London EC4N 8NH

Development Managers:

Arlington Development Management Limited
Arlington House
Arlington Business Park
Theale RG7 4SA

Valuers:

Knight Frank
20 Hanover Square
London W1S 1HZ

Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire RG1 1JG

Registered in England & Wales No: 8624

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